

# **Bloom Energy Corporation (BE) Q1 2024 Earnings Call Transcript**

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**Body**

Bloom Energy Corporation (BE)

Q1 2024 Earnings Conference Call

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Company Participants

Ed Vallejo - Head of Investor Relations

KR Sridhar - Founder, Chairman & Chief Executive Officer

Greg Cameron - Outgoing President & Chief Financial Officer

Daniel Berenbaum - Chief Financial Officer

Conference Call Participants

Andrew Percoco - Morgan Stanley

Manav Gupta - UBS

Chris Dendrinos - RBC Capital Markets

Sherif Elmaghrabi - BTIG

Ameet Thakkar - BMO Capital Markets

Biju Perincheril - SFG

Martin Malloy - Johnson Rice & Company

Noel Parks - Tuohy Brothers

Pavel Molchanov - Raymond James

Andre Adams - Oppenheimer

Ben Kallo - Baird

Presentation

Operator

Thank you for standing by. My name is Krista, and I will be your conference operator today. At this time, I would like to welcome everyone to Bloom Energy First Quarter 2024 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

I will now turn the conference over to Ed Vallejo, Head of Investor Relations. Ed, you may begin your conference.

Ed Vallejo

Thank you, and good afternoon, everybody. Thank you for joining us for Bloom Energy's first quarter 2024 earnings conference call. To supplement this conference call, we furnished our first quarter 2024 earnings press release with the SEC on Form 8-K and have posted it along with supplemental financial information that we will reference throughout this call to our Investor Relations website.

During this conference call, both in our prepared remarks and in answers to your questions, we may make forward-looking statements that represent our expectations regarding future events and our future financial performance. These include statements about the company's business results, products, new markets, strategy, financial position, liquidity and full year outlook for 2024. These statements are predictions based upon our expectations, estimates and assumptions. However, as these statements deal with future events, they are subject to numerous known and unknown risks and uncertainties as discussed in detail in our documents filed with the SEC, including our most recently filed Forms 10-K and 10-Q. We assume no obligation to revise any forward-looking statements made on today's call.

During this call and in our first quarter 2024 earnings press release, we refer to GAAP and non-GAAP financial measures. The non-GAAP financial measures are not prepared in accordance with U.S. Generally Accepted Accounting Principles, and are in addition to, and not a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. A reconciliation between the GAAP and non-GAAP financial measures is included in our first quarter 2024 earnings press release available on our Investor Relations website.

Joining me on the call today are KR Sridhar, Founder, Chairman and Chief Executive Officer; Greg Cameron, our outgoing President and Chief Financial Officer; and Dan Berenbaum, our Incoming Chief Financial Officer. KR will begin with an overview of our business, then Greg will review the operating and financial highlights of the quarter, and Dan will review outlook for the year. And after our prepared remarks, we will have time to take your questions.

I will now turn the call over to KR.

KR Sridhar

Hello, everyone, and thanks for joining us today. We had a good start to the year and we are seeing strong market interest, increasing momentum, and robust commercial activity across diverse end markets. Q1 results are as I expected. Importantly, our strong operational performance and commercial activity augurs well for the next three quarters. As I see it, our business is tracking to the plan we laid out for the year.

Business leaders are increasingly recognizing the severity and circularity of the power challenges we face. They now understand that time to power is a business imperative and grid cannot meet the growing power demands. They need to turn to distributed on site power. There is increased recognition that natural gas is the only bridge fuel at scale and affordability for a decarbonized world. And for companies looking to reduce their carbon footprint and meet their emissions targets, Bloom offers the least carbon intensive way of converting natural gas to electricity with virtually zero air pollution.

As grid prices keep rising steadily in the U.S., Bloom's value proposition is becoming attractive, even on a pure cost basis alone in more new markets. Such markets include regions of Ohio, Illinois and Indiana that demand for power is growing, natural gas is available and a well accepted fuel of choice and our solutions are highly compelling for all electric and combined heat and power or CHP applications. The grid challenges and inadequacies are aggravated by a level of AI-related growth in data centers that is far beyond what anyone anticipated pre- ChatGPT.

Bloom has a long track record of success in supporting data centers power needs, with over 200 megawatts of contracted and deployed orders. In the earnings call last quarter, I talked about our healthy commercial pipeline for datacenter power. I also talked about our opportunities falling in two categories: power needs arising from expansion of existing data centers and power for Greenfield data centers that are being built for future needs, primarily AI.

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From a deal flow perspective, the existing data centers can often be contracted and deployed relatively quickly as the supporting infrastructure is in place and generally has minor permitting and permission hurdles. Contrast that, the Greenfield data center opportunities with much bigger stamp sizes, permitting requirements, tenant and finance securement, grid interconnection queues, all leading to longer sales cycles, but much higher revenue potential.

In this regard, Bloom's Be Flexible islanded more power solution offers a greenfield data center customer, the ability to commence operation of their facilities without worrying about need or delays of grid interconnection. Let me give you an example of a deal where we were able to get the contract closed faster because it's an expansion of an existing facility.

We are thrilled to announce today a major win on an expansion data center opportunity. Intel has been a customer of Bloom since 2014 and we have been powering their data center in Santa Clara, California and their mission-critical labs in Bangalore, India. In Santa Clara, California, Intel is adding to their existing Bloom server capacity significantly to make that location, Silicon Valley's largest fuel cell powered, high performance computing data center.

On the larger stamp, green field data center deals, we still expect conversion of some of these opportunities in the second half of the year. The sales pipeline is robust and growing. Bloom's opportunities from the AI revolution extend beyond the data centers. We can rapidly provide power to the AI supply chain, which has surging and growing energy needs.

Since 2018, Bloom Energy has been providing clean reliable power to Supermicro, a leading supplier of AI hardware for their rack integration facility in San Jose. Last year, Bloom Energy installed the first phase of a 10 megawatt contract for Unimicron of Taiwan, a leading developer of hardware solutions for the AI industry. We alleviated their time to power problem and enable them to meet the rapidly growing AI-related demands.

Just last month, we announced that we would power Quanta's new multi megawatt manufacturing facility in Fremont, California. Quanta is a leading global supplier of high powered compute servers for AI data centers. The local power utility could not meet its power needs in a timely manner. Bloom's power solution is an fully islanded micro grid, which will power Quanta Computers operations around the clock 24/7 365 days a year.

By leveraging Bloom Energy's innovative and modular micro grid solution, Quanta is eliminating utility dependent delays and taking control of its destiny and maintain its competitive edge in the fast paced AI market. The AI revolution creates one more tailwind for Bloom. As AI-related players are able and prepared to pay a premium and use their leverage to procure and lock up merchant and utility power and solve their time to power issues, other industries are finding it harder and harder to get power for their growth needs.

We have started seeing more customers inquiring about our products and solutions for this reason. As we look at international growth, our approach has been to find the right markets, the right partners, and then scaling up with them. In Korea, we are seeing strength again after a temporary slowdown last year related to new policies being introduced.

Our partner SK is confident about our future in Korea. We saw strong demand from SK in the first quarter. In Italy, we are very encouraged by the momentum we are building with Cefla, our partner for biogas based CHP solutions. We are continuing to develop other opportunities in Europe and Asia.

On the personal side, in April, we were very pleased to announce the appointment of Dan Berenbaum as Bloom's new Chief Financial Officer. Dan's financial and operational career spans more than three decades. A Naval Academy graduate, Dan held executive level positions at publicly traded companies, including National Instruments, Micron and Ever Spent, and before that, he spent 10 years on Wall Street as an analyst covering technology stocks. We are excited to have Dan on the team and know that he's the right person to help guide us in this next stage of our journey.

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With that, I'd also like to thank Greg Cameron for his service as Bloom's CFO. He has enabled a smooth transition as he promised, and all of us wish him great success in this new chapter, that he'll come in soon. And now I'll turn the call over to both Greg and Dan.

Greg Cameron

Thanks, KR. As this will be my final earnings call with Bloom Energy, I'd like to say how much I appreciate KR, the Board and the entire Bloom team for allowing me to be part of this amazing journey over the past 4 years. While we've accomplished a lot over that time, the remains more to do. While I will no longer be part of this journey, I remain excited for the opportunities for Bloom Energy and know the best days lie ahead.

Now I'd like to talk about the first quarter financial performance. As we discussed in the last call, we had said that the timing of acceptances could impact our first quarter revenue. At the time, I said revenue for the quarter to be flat to down 20% on a tough comparable as we were up 40% in the first quarter of 2023. Our first quarter 2024 revenues were $235 million, down 14.5% versus the first quarter of 2023. As a few acceptances that we thought could happen in the first quarter are now likely to occur in future quarters. The timing of these acceptances does not change our outlook for the full year.

The product volume and the mix of acceptances impacted our gross margins. The first quarter non-GAAP gross margins of 17.5% was down 370 basis points versus the first quarter last year. The lower volumes in the first quarter versus the prior quarter, reduced manufacturing absorptions, which increased our product costs by over $160 a kilowatt, negatively impacting product margins by 500 basis points. If volumes had been similar to the fourth quarter 2023, adjusted first quarter product costs would have been roughly the same per kilowatt as the prior quarter.

As volumes grow throughout the year, and we continue to drive down material costs and increased power density, I would expect product costs to be reduced the targeted 10% plus down. Also in the quarter, the majority of our acceptances were to Korea. While our volume and pricing to create in the first quarter were similar to the prior two quarters, the percentage of the total increase as we had less shipments elsewhere.

Over the past several quarters, the projects in Korea are becoming more price sensitive, resulting in a lower average selling price. Through our work on reducing product costs, we have maintained attractive product margins averaging about 30% in Korea, but the mix in the first quarter negatively affected our average selling price. I would expect an improvement in product margins as acceptances in the United States, the rest of our international business increase throughout the year.

An area that improved our margins in the first quarter was our service business. As we continue to grow our revenues, reduce performance payments, and reduce our replacement power module costs. I would expect this trend to continue throughout the year, and we expect our service business to be profitable on a non-GAAP gross margin basis this year. And as we've previously said, we are targeting a 20% on the same basis in 2025.

We maintained our strong diligence on cost control, as our operating expenses decreased approximately $21 million in the first quarter versus the same period last year. While we continue to invest in our future, we are very focused on improving our profitability.

Even on lower revenue and margins, our operating costs allowed us to improve non-GAAP operating loss by $3 million versus the first quarter 2023. We also significantly reduced our cash usage by over half versus the first quarter last year. We're holding working capital levels roughly flat to year end. This allowed us to end the first quarter with $583 million in total cash.

Now I'm going to turn the call over to Dan, who share with you a few thoughts and discuss guidance. Before I do that, I'm very glad, Dan and I had time over the past few weeks for transition. I believe he's a great add to the team and he's already building meaningful connections with his experience and energy. He's joining Bloom in an exciting time with his partnership, I expect Bloom to continue to grow to meet the demands. I'm an evolving energy market.

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With that, welcome, Dan, and over to you.

Daniel Berenbaum

Thanks, Greg, and thank you KR for your earlier comments as well. I'm excited to be here and I appreciate the warm welcome I've received from across the company. I've been impressed with what I've seen so far at Bloom, the technology, the people and the drive to succeed in our mission of making clean, reliable and resilient energy available for everyone.

As Greg mentioned, I've been working closely together over the last couple of weeks, and I appreciate his time and the attention of the entire team in getting the [indiscernible] speed on the financial and operating performance in the business. It's obvious to me what an important part of the Bloom story Greg has been. I want to thank him for that, and for leaving a mature, confident team in place.

As we move past earnings, I plan to spend time digging more deeply into the business. I'm also looking forward to meeting all of you. I'm committed to continuing to enhance our communications and our relationships with the entire financial community.

I want to touch briefly on two things, our relationship with AWS and our outlook. As many of you know, in 2022, AWS entered into a power purchase agreement with Bloom to deploy 73 megawatts of capacity. We sold the energy servers for that project in 2022 and 2023 through our EPC partners. For state specific reasons, AWS has decided not to proceed with the original deployment location. That said, we are pleased to share that Bloom and [indiscernible] are working to deploy the Bloom servers in other AWS locations under the terms of the agreement.

Consistent with the PTA, AWS is commencing payments in the current quarter. We value our partnership with AWS and we look forward to serving them well on this and other potential future transactions. As it relates to our outlook, we are reaffirming our 2024 annual guidance for revenue, margins and profitability.

With our backlog, convertible pipeline and product supply, we remain confident that we can deliver $1.4 billion to $1.6 billion of annual revenue at approximately 28% non-GAAP gross margin. Where we end up within the revenue range will be primarily dependent on timing of project approvals and completion.

As the year progresses, we will have greater clarity on these opportunities. Consistent with prior years, second half revenue is expected to be greater than first half revenue. Gross margins could improve each quarter as we move through the remainder of the year on lower product costs and improving service performance. At this revenue and gross margin profile for the year, we should be well-positioned to achieve non-GAAP operating profit of $75 million to $100 million.

With that operator, please open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of Andrew Percoco with Morgan Stanley. Please go ahead.

Andrew Percoco

Great. Thanks so much for taking the question here. And Dan, looking forward to meeting you over the coming weeks here. I guess to maybe start out with some datacenter questions. So first on this Intel announcement. It sounds like KR already mentioned it's a sizable increase to the existing capacity. Can you just give us any megawatt ranges and maybe timing in terms of when you expect to ship those units to Intel? And then second is just on the Greenfield opportunities that you're highlighting for the second half of the year. Can you just maybe give us some additional insight into how your product will be used at some of these larger hyperscaler sites? It seems like they could be upwards of several 100 megawatts in size each. Is it going to be solely your product? Or is it going to be more of a micro grid solution where it's tailored or coupled with other solutions as well. I'm just trying to get a sense of the total megawatt opportunity from some of these Greenfield sites. Thank you,

KR Sridhar

Andrew, like very nice to hear from you. And I know that Dan's looking forward to meeting you. And on the datacenter opportunities, look, what we only reveal customers actual loads and capacities, then we have their permission to do so. And otherwise we maintain their confidentiality. That's why we maintain it. Having said that, I think there is enough material there on how big they're building their servers and how many servers they're putting there that you all can go figure numbers out and don't ask us to either confirm or deny that. But I think it's out there.

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So in terms of total contracted and deployed data centers, right, we are approaching 300 megawatts. And that's a significant portion of our opportunities. And these datacenter opportunities will get deployed as fast as all the ecosystem conditions are available in terms of gas availability, and permits and permissions and all that, they're proceeding as fast as possible. And you know this extremely well, we applaud you for all your reports on highlighting how power is the most critical thing for data centers to grow. So that's on the Intel.

And as you know, our largest prior to this in Silicon Valley for a datacenter in a single site was somewhere north of 20 megawatts is what [indiscernible] is facilitating. So that used to be it. This is the largest Silicon Valley datacenter. So now getting to your question on Greenfield. The answer is all of the above in terms of how people plan to deploy. Some of them plan to deploy purely Bloom on the Be Flexible kind of a model that we product for you. Some of them will use the micro grid, and in that micro grid they have all sorts of options of all [indiscernible] suspects.

From combustion engines to batteries to using grid as a backup. But in many cases as you would suspect if its 100s of megawatts, they're willing and very seriously technology qualifying us for a standalone micro grid, that's not connected to the grid. Because getting on that interconnection queue and getting that done is hard. And we bring in a unique solution where because of our fault, tolerant architecture and high resiliency availability and reliability, we can be a standalone grid for them. So that is -- that can be a game changer for people, for home, who value time to power and are willing to pay a premium for it.

I think I covered your questions. In terms of very stand, look, in most cases when we talk about our pipeline increasing and things moving within that funnel, with a velocity that is consistent with what you expect for a deal of this size. For example, if you're doing a 100 megawatt Bloom datacenter over a 15-year period, the contracted value is well north of a $1 billion. So it has to go through its own diligence process and governance process within the companies and after they do that, they need to go seek -- secure both tenant and finance agreements. Once they have all that in place, they have to negotiate a contract with a hyperscaler for whom they're purpose building it. If it's a hyperscaler, they can avoid that particular step. And all these needs a fall in place. They do all this in parallel and when anything gets finally all aligned and signed, is going to be the slowest step is going to be the rate limiting step on it. This is the reason it's taking longer. And we still believe that we should be able to announce some Greenfield yields by the end of the year.

Operator

Your next question comes from the line of Manav Gupta with UBS. Please go ahead.

Manav Gupta

First, thank you Greg for all the help over the years. Welcome Dan. My first question is on the service side. I think Greg you had expressed a lot of confidence that service margins with flip and they have flipped. So I'm trying to understand, can you give us some more details. What -- can ensure that these margins remain in the positive territory and then what could help you get towards that 20% service margin next year.

And my quick follow-up question is more of a modeling question, I understand it. Very glad to hear that the situation has worked out with AWS. From the perspective of like how we model this should be just modeled as a delay in terms of some -- an order which was supposed to be implemented at a particular time and then its delayed by a few quarters, or does that anything changed with the way we are modeling this AWS so far in the financial statement [indiscernible]. Thank you.

Greg Cameron

Hey, Manav. This is Greg. I will take the first half [indiscernible] to Dan for the AWS side. Listen, service this time last year we talked about being a bit behind on getting our [indiscernible] out the door, replacement power modules and that we were going to be in a situation for a few quarters where we will be paying performance payment and making the replacement power modules. And we talked about second quarter being the high water mark. And by the end of the year, each quarter we beginning better and we saw crossover point early in 2024 and it is -- the business has performed exactly to the roadmap that we laid out at that time.

Listen, the drivers of it are, we're all knowable, right? From a installation standpoint, when we achieved COO and when we begin to get service payments, that tells us how the revenue is going to grow, and you can see each quarter our overall gross revenues are being growing. We also knew that as we increased our power module shipments replacement power module shipment, our power output will increase and we reduce our performance payment. And that has happened each quarter exactly as we thought we'd happen.

Lastly, what we've really put a tremendous obligation on the team to perform and they've done it, which is to continue to drive down that cost of those replacement power modules. And through the efforts of the engineering team and the sourcing team and the service team they've accomplished that both on a individual basis as well as on a mixed basis. So the average cost has been coming down, pulling on both of those levers. So our expectation is that the businesses achieved a breakeven point here. And we would expect that to continue to improve through the rest of 2024. And we remain committed to the 20% gross margin achievement by 2025, which is something that we laid out several years ago and the business has been performing it.

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So I would say for the team job well done, they performed and took a difficult situation and addressed it and performed exactly as they said they would and they've accomplished it. So with that I'll pass over to Dan on the AWS question.

Daniel Berenbaum

Thanks, Greg. So Manav, we're not going to give specific guidance on how to model individual deals or individual customers. I think the important thing to focus on is we're reiterating our guidance for the full year that $1.4 billion to $1.6 billion, that approximately 28% growth, non-GAAP gross margin to give you a little bit of thought about how to model that obviously understand where we came in. And for Q1, if you look at sort of the last 5 years, the split between first half and second half has been somewhere between 40, 60 one-third, two-thirds. So I think just overall, that might be a good way to be -- just to give you some thoughts for the modeling. But to be clear, we're not going to guide specific deals, how to think about them. And we're not providing specific revenue guidance on a quarterly basis. We're just focused on that year, and just an idea of how that year might shape out.

Manav Gupta

Thank you.

Operator

Your next question comes from by Chris Dendrinos with RBC Capital Markets. Please go ahead.

Chris Dendrinos

Yes, good afternoon, and congratulations on the Intel announcement. I guess maybe just to start out here, and I want to focus a little bit on permitting here. Are the permits in hand for this datacenter expansion, I guess, both for Quanta and for Intel? And then, how are you guys navigating this with your customer to hopefully, I guess, keep things out of the public. That might cause I guess, call it disruption. Thanks.

KR Sridhar

Look we, again, we don't get into specifics of customer permits and permissions because it's their applications and what they do. But we absolutely see no issues with us deploying for Quanta this year, their systems and showing the speed at which we can solve a problem for them. There are no interconnection issues for Quanta, because it's a completely islanded system that is not connected to the grid. And so they were able to eliminate any delays that can potentially cause by choosing a better solution of keeping it islanded. Similarly, [indiscernible] like Santa Clara, you've heard us speak about it before. We have a very cooperative local government that works with us. And we are confident that we will be able to get these systems installed, and we don't see an issue with it. Thank you.

Chris Dendrinos

Got it. Understood. And then I guess, maybe just shifting gears here and I wanted to touch on the hydrogen opportunity here. So it looks like the project with World Energy is on track for FID, early 2025. And I recognize that, in the past you haven't wanted to comment too much on this just given that your -- it's not your project. But I guess could you just provide any incremental color that you might have in terms of expectations kind of moving forward there. What type of things should we be on the lookout for? Thank you.

KR Sridhar

Nothing has changed with how we talk about projects. So if we have a contract, we will let you know. But until then we don't comment on our potential customers processes. Thank you.

Operator

Your next question comes from the line of Sherif Elmaghrabi with BTIG? Please go ahead.

Sherif Elmaghrabi

Hey, good afternoon, and thanks for taking my question. Sticking with Quanta for a second. Did I hear correctly that you're saying that you're thinking and you'll start deploying that this year? And then more generally, because I thought I owned it solutions took a longer time. How long after receiving an island did order does Bloom recognize revenue?

KR Sridhar

Well, our goal, again we announced this a week, 2 weeks ago, like I go, it's all blurring for me. But you can look at the date. So don't quote me on the date. But we just announced that a few days ago. And we are confident that the customer will have the entire multi megawatt power available to them. Before we -- before you, you all ring the bell and like Times Square for 2025.

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Sherif Elmaghrabi

That's good to know. And then, second, very simply, can you guys quantify where the backlog is this quarter relative to last quarter?

Daniel Berenbaum

So no, we're not going to provide guidance on the backlog where we will only provide guidance on the backlog or will provide the backlog once a year as has been our practice. Look and I'll just take the opportunity to say as relative newcomer to the company, as I've dug in, very confident in the commercial pipeline that we have, obviously, we're -- that's why we're feel comfortable with reiterating the guidance that we previously provided. So we're not going to provide any specifics other than to say that me as the new CFO coming in, feel pretty comfortable with the commercial pipeline as KR discussed. Thank you.

Operator

Your next question comes from the line of Ameet Thakkar with BMO Capital Markets. Please go ahead.

Ameet Thakkar

Hi, good afternoon. Thanks for taking my question. I just wanted to come back to I guess some additional disclosure you had around the AWS facility in Oregon and your 10-Q. It refers to the distributor, and the distributor making PPA payments, is that SK [indiscernible] or is that Amazon?

KR Sridhar

So in this case, it is our PPA agreement is with Amazon. And starting April, Amazon will start making the monthly payments for the PPA to bloom as per the agreement. So that's the clarification I think you're seeking.

Ameet Thakkar

Okay. And just one follow-up then the 10-K., the 10-Q does mention that the shooter has the ability to kind of reduce future orders or cancel existing orders until the -- I guess the energy servers are redeployed. That is non Amazon. Correct? And how does that like since you guys book that revenue last year, I was just wondering if you could give us a sense on what sort of cash flow impact we can expect from that this year?

Greg Cameron

Yes, it's Greg. I'll take that. Since I was around. So this is it was very clear KR made that the payments on the PPA are going to maybe make contractual as Amazon has it. Last year, in the year in the fourth quarter 2022 we sold 73 megawatts to our partner SKU [indiscernible] plant that was going to be the EPC unit on that. Our expectation is as we find new sites as Amazon finds new sites that the units can be deployed, it would make sense that SK would deploy their units there. And that is our expectation and our preference. What we wanted to make sure we disclose fully with in our Q and in our K previously was if for some reason SK does -- if Amazon had decided they didn't want the unit and we had some disagreement with Amazon around that. We wanted folks to know that we would most likely work with our partner not contractually, but out of partnership to help them get their units placed going forward. But our expectation is that Amazon will find additional places for SK to deploy the inventory that they have.

Ameet Thakkar

Great things to do. And again I'll just add, we're-- they understand why folks are asking the question. One of the things that I want to make sure that people hear from me is, as I've come in, and I've looked at our projected cash flows, I've looked at our projected P&L, we're very comfortable with the state of the balance sheet, we're very comfortable with the receivables that we have and our ability to collect those receivables. So we're not going to get too much into specifics with specific customers with specific partners. That's just probably not what our partners would want, quite frankly. But I do think that you hear from me that as we look at the balance sheet, as we look at our receivables, we are quite comfortable with our position.

Ameet Thakkar

Thank you.

Operator

Your next question comes from a line of Biju Perincheril from Susquehanna. Please go ahead.

Biju Perincheril

Thanks for taking my questions. Well, first of all, there's been some reports in industry publications about a sizable datacenter project in California, that will be using solid oxide fuel cells. Can you confirm? That's one of your projects. It doesn't sound like either. That's Quanta, or the Intel projects you're talking about today?

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Greg Cameron

I'm sorry, Biju I have. I don't know what specifically this is, so I can't comment on it. But to my knowledge, I don't know how many other suppliers there are for solid oxide fuel cells that can deliver megawatts worth of off solid oxide fuel cells to any data center. We are the only ones that I know of, but there could be somebody I don't know. But we don't -- we are not aware of anybody. So if like somebody is saying they may be talking about us, but without the specifics, I cannot speak to it.

Biju Perincheril

Got it And my follow-up is on your manufacturing capacity. Obviously, the demand here seems to be accelerating. So how are you positioned on the capacity front? Do you need to fast track sort of the build out that you've talked about in the past.

KR Sridhar

We are extremely comfortable with being able to meet the surge demands as they come forward with our Fremont factory and our deliver factory and what's your facilities. And I think we have talked about it in the past, with very modest investments, to even further upgrades, we can keep up with the capacity as we go. And our speed to catch up 200 megawatts, 300 megawatts will be faster than the cycle time it takes for all the other systems to be in place for a greenfield data center. So we feel like we are well situated to be able to meet the demands, as the demands arise for us from a capacity perspective.

And today, we know that we don't have a capacity constraint meeting this year. And we will make sure, by the time the new year comes, we can make the same statement about what our like capacity needs are for 2025. All within the cash balance and everything that Greg talked about. Sorry, Dan talked about. Well, there are a couple of important points there, I think I did mention in the prepared remarks, the puts and takes in that $1.4 billion to $1.6 billion revenue guidance for '24 is really about timing. And we have the commercial pipeline, we have the manufacturing capacity that we need, we have the supply chain preparedness that we need to be within that range. And really its where we end up within that range is really going to be things like timing of acceptances.

And then of course, one of my priorities coming here is, as we grow the company, we need to grow it profitably and we need to invest at the right time, we need to make sure that we're investing in our manufacturing capacity so that we have the capacity to meet demand, which again for '24 clearly, that's not a problem. And as we move beyond that, and as we grow the company, there's going to be a focus on using our cash wisely at the right time and growing the company profitably.

Operator

Your next question comes from the line of Martin Malloy with Johnson Rice. Please go ahead.

Martin Malloy

Thank you for taking my question. And Greg, best of luck in your future endeavors. First question, I just want to ask about progress in terms of the development of the carbon capture technology. Could you maybe give us an update on that in conjunction with the field service?

KR Sridhar

Yes. So look, if you if at our pipeline, both domestically and internationally, we are working with several partners and where we are at the stage on that is technology qualification. We have developed great partners, who can take our gas and process it to the specifications required to put that in a pipeline to meet their standards for it to glow, go into a classic slot number one, okay. Number two is PR talking to large utilities that have been playing in this field already in the U.S., and who have tried other techniques and now believe that we have the better mousetrap that we are working with, with the number of states figuring out who has domain dominance issues to getting classic wells approved to the pipelines coming on board, to everything else that needs to happen. This also has a longer sales cycle.

But the way I would characterize where we are on that is most people are getting extremely comfortable our technology and saying that we would like to baseline your technology. Now it's about the next step. It will take time, but this is a huge opportunity. And thanks for asking that question, Marty, because I want to emphasize something to you. This world cannot decarbonize by 2050 without carbon sequestration. There is no possible way that we can, this is huge. And we have one of the best available technologies anybody has shown to take natural gas and create a concentrated stream of carbon dioxide to sequester, which means you have the dual issues of needing more power. And to decarbonize, we are about as good as it comes as a solution.

Operator

Your next question comes from the line of Noel Parks with Tuohy Brothers. Please go ahead.

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Noel Parks

Hi, good afternoon. Just had a couple. I wondered and as generally, specifically, as you feel comfortable. The Intel relationship is such a long standing one. And I was wondering to talk a little bit about the evolution of the relationship. And I'm curious even sort of what model of the BEF they originally run and just kind of what it's been like, as far as it's going through upgrade cycles and so on with such an established customer?

Noel Parks

Sure, Noel. That's a very good question. Look, we have always prided that, if you look at historically, about two-thirds of our business comes from repeat orders from customers, multi $100 million orders, and to us, there is no better validation of us taking care of a customer's pain. At the end of the day, you're solving their problems. And if you solve them well, they come back to you. And that's the -- there's no better indication. And I would like to grow even more new customers, but it's always the land and expand strategy that we have. And Intel would be a very good example of that.

Our first installations for Intel, they're in California, important the Bay Area and in Folsom, for their facilities, where they wanted to try us out. And this was in 2014. So it was our second generation technology. And then I still today remember vividly, the CEO at that time sitting in my conference room, evaluating it and seeing if you really want to solve my pain [indiscernible] Bangalore, India. And we are building a new building, we have no power for it. And the old building we have loses power three times a day, I cannot run the kind of labs and data centers I want to run in Bangalore. If I lose power three times a day.

And I said you've for the long relationships we want with you. We are happy to go try. We have never installed anything in India at that time. We had to run three kilometers of gas pipelines for them working with the Gas Authority of India to bring the gas and we had power for them before they finished the building. And I'm proud to say that that pretty full A 2014 system that's been upgraded along the way with field replacement units. We don't drop load for them. They never have to worry about losing power.

So we have a long established and proven relationship with them. And we are extremely grateful for them to have taken that early step and we applaud them for being a leader. And a huge thanks to them for again, trusting us and trusting us with the expansion of their data center in Santa Clara.

Operator

Your next question comes from the line of Pavel Molchanov with Raymond James. Please go ahead.

Pavel Molchanov

Thanks for taking the question up. Let me start with a conceptual one. When you speak with data centers, and they want to reconcile base load generation and sustainability targets, how often do you hear hydrogen and RNG feedstock entering that conversation?

KR Sridhar

Pavel, this is a very good question. Look, they and us and everybody on the planet would love to have a zero carbon fuel and be able to power the datacenter. With that we all know that that's aspirational for the foreseeable future in the short-term. We all also believe that definitely in the future, that renewable molecule whether it is green ammonia, green hydrogen, FRNG, biogas, all of the above, should become available, so our children and our grandchildren can have a great planet. But don't forget, one additional option is large scale power generation from natural gas with carbon capture, because Mother Nature does not care about renewable sources. Fossil, it cares about the carbon dioxide molecules in the atmosphere, they get the same effect.

So with our solution, what they see is it's the best available option of anything that they can possibly do. In real terms for the atmosphere, yes, they can go and buy green credits and racks and build solar farms, that is not displacing the dirty, highly power intensive power that they use wherever they use it. Whereas here, they are actually producing power with the least amount of carbon footprint, and with no air pollution. Then, as these green molecules become available, from zero to small blends to 100% pure green fuel, they can use our same existing systems without stranding it. So we are future proofing them. And if as a country, we figured out carbon capture and have pipelines, or and sequestration available, they can use natural gas until such time and to be able to do it. With all those they are convinced that this is a great option.

Operator

Your next question comes from the line of Colin Rusch with Oppenheimer. Please go ahead.

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Andre Adams

Hi, there. This is Andre Adams on for Colin. As you're quoting micro grid opportunities. Can you just speak again to those customers desire for zero emissions versus natural gas solutions? And whether you're trying to integrate additional solar wind or chemical storage on site?

Greg Cameron

So yes, the answer is, we believe in all of the above, we are big fans of solar, we're big fans of wind and as they grow, they are going to need to store it and hydrogen is one option and that we have a play on both sides of hydrogen. Both hydrogen electrolyzer, as well as using hydrogen as a fuel in our fuel cells. So, we encourage people to do all of the above. And obviously, our customers will in their mix have as much solar invent because that industry especially the data center, industry, and Information Industry is in the leading edge of any other industry in terms of reducing their carbon footprint. So, the great thing about Bloom is we integrate beautifully with any of those micro grids. And we are firming up that base load without dirty diesel, and all the air pollution associated with that.

Operator

Your next question comes from the line of Ben Kallo with Baird. Please go ahead.

Ben Kallo

Hey, guys, thanks for taking my question. Dan, just welcome. I know you got a lot of questions, and kudos to you jumping on this early starting. I'm not asking about the guidance that you guys put out there, not yet. But it was out there for '26 before, but what do you -- since you've been here, how's your visibility? Look, it seems good for this year. But there was guidance out there a couple times point six. Just as you think about all that.

Daniel Berenbaum

Yes. Ben so, thanks for the question. It's a bit difficult for me to comment, lack not having the full perspective on that. I will tell you that, I'm just going to reiterate, I got pretty comfortable pretty quickly and what the commercial pipeline looks like, and what our revenue will look like for this year in our path to increase profitability, as we talked about. I won't really talk about things beyond that. I will say that my focus is on making sure that we're ready to scale profitably, it's on obviously, the first things that I've jumped into. We're looking at the balance sheet, some of the concerns that I know we've heard from investors in the past, the receivables, the cash flow, we have optionality on the convert, that's due in August of '25. So that's where my focus has been more immediately, to get to get comfortable and confident in those things. And as I say, the commercial pipeline gives me a significant amount of confidence for that. I'm going to have -- you're going to have to give me maybe another 90 days to be able to comment on anything further than that.

Operator

Your next question comes from the line of Jordan Levy with Truist Securities. Please go ahead.

Unidentified Analyst

Hi, all. [Indiscernible] on for Jordan here. Thanks for squeezing me in. Congratulations, Greg and Dan, for joining the team. Just a quick one. As we look to the rest of the year, can you help provide some detail on the walk from this quarter to hitting that operating income guidance for the remainder of the year. And what we should kind of be looking at as the quarters progress.

Daniel Berenbaum

So the only real comment we made, I talked a little bit about, in general terms, how to think about maybe a revenue profile first half, second half. And I would just say that, I would expect gross margin to improve sequentially every quarter as we move through the year.

Operator

Your next question comes from the line of Chris [indiscernible] with Wolfe Research. Please go ahead.

Unidentified Analyst

Thanks for taking my question. I wanted to just clarify in the prepared remarks on the part of ASPs [ph] being weighed down from international sales. Are those the sales to SK [indiscernible] and should we expect the rest of the sales under that preferred distributor agreement to reflect the ASP?

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Greg Cameron

Hey, it's Greg. The ASPs that we're getting from our partners in Korea this quarter are very consistent with the prior quarter. So as you look at our mix of ASP during 2023, and you think about them for the quarter, and you think about as they go-forward, yes, mix worked against us a little bit on timing from the quarter not because those were down materially versus where they been, but just other shipments weren't there. So I would expect ASPs to continue to increase in the course of the year as we have other sources of volume moving in. And that's consistent with the way we thought about putting the brain work together for the year.

Operator

That concludes our question and answer session. I will now turn the conference back over to KR for closing remarks.

KR Sridhar

Thank you. Thanks, everyone for your participation on the call and for your support of Bloom Energy. As I close, I just think there are three things I want to emphasize. The first one is I think we laid it out to you even in the last call and we want to confirm this again to you that we are reaffirming our guidance for the year. And also reminding you that we said it's going to be a heavy loaded second half of the year and not the first half of the year. And that's how it's going to turn out. And that's just the rhythm of the business, as we say, based on the orders we have at hand and how we can prosecute.

Second. And on that issue, again, what we have within that guidance where we will be on those numbers, as Dan pointed out, I want to reiterate. We have the sites, we have the orders, we have the customers, we have the products we can make, it is purely about timing of when those things fall here or there is what's going to decide where on that range we fall. We'll know more as the year progresses. And we're working hard to see what we can pull.

On the second point, the Intel agreement, the Quanta agreement, continuing orders from existing customers, and a strong commercial pipeline, they all are showing that we have the right product at the right time for a market that very badly needs the solution. This is what we are offering is not a product for somebody to buy is a solution that enables them to protect their business and take care of their business and grow.

The market dynamics are very clearly in our favor. People want low carbon solutions right now, they know that there is no miracle switch to a zero carbon solution overnight. And so our low carbon solution has the right market dynamic from that perspective. People want power now and the utilities are not moving at the speed. The data center industry and the utility industry are operating on two different timescales. And that helps us provide either to the utility or to the customer. We are agnostic in front of the mirror, or behind the mirror, a solution so we can help businesses, the local economy and everybody.

Clearly the data center and AI space not only has opened up an opportunity for us in the data center space, but the entire AI ecosystem space as you saw with supply chain. And with all that opportunity, we have to execute and hopefully you're seeing quarter-over-quarter, what we say and what we do. And I'll let you be the judge of figuring out are we doing what we say?

I feel very good that our entire team functioning as one team at a very high-level. We are adding quality people into our leadership team as well as in our employee base. They're deeply committed to the mission. And I feel very good about where we are as a company. I'm excited about our future and I'm confident about our future. Thank you.

Operator

This concludes today's conference call. Thank you for your participation, and you may now disconnect.

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