

# **Bloom Energy Corporation (BE) Q2 2024 Earnings Call Transcript**

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**Body**

Bloom Energy Corporation (BE)

Q2 2024 Earnings Conference Call

August 08, 2024 05:00 PM ET

Company Participants

Ed Vallejo - Vice President, Investor Relations

KR Sridhar - Founder, Chairman & Chief Executive Officer

Dan Berenbaum - Chief Financial Officer

Conference Call Participants

Andrew Percoco - Morgan Stanley

Dushyant Ailani - Jefferies

Manav Gupta - UBS

James West - Evercore ISI

Chris Dendrinos - RBC Capital Markets

Martin Malloy - Johnson Rice

Chris Senyek - Wolfe Research

Noel Parks - Tuohy Brothers

Ameet Thakkar - BMO Capital Markets

Alex Kania - Marathon Capital

Ben Kallo - Baird

Pavel Molchanov - Raymond James

Skye Landon - Redburn Atlantic

Colin Rusch - Oppenheimer

Presentation

Operator

Thank you for standing by. My name is Mandeep, and I will be your operator today. At this time, I would like to welcome everyone to Bloom Energy Q2 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 would now like to turn the call over to Ed Vallejo, Vice President, Investor Relations. You may begin.

Ed Vallejo

Thank you, and good afternoon, everybody. Thank you for joining us for Bloom Energy's second quarter 2024 earnings call. To supplement this conference call, we furnished our second 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 second 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 US 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 second 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; and Dan Berenbaum, our CFO. KR will begin with an overview of our process, and then Dan will review financial highlights for the quarter. 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 executed the first half of 2024 to plan with strong financial discipline. We are on track to meet our yearly guidance. We expect to end the year in a strong financial position and continue to advance our technology, operations and team for robust future growth. It is now widely understood that demand for electricity is expected to far exceed available supply through the grid.

It is presenting Bloom with a huge opportunity. We are seeing high levels of commercial interest in our products and solutions. We have not experienced anything like this in the past two decades. As I see it, this trend is here to stay for at least another decade. And if anything, will gain further momentum in the coming months and years. While there is concern about the ability to meet growing power needs, I believe it's possible to close the gap in power production in 5 to 10 years by adding a combination of utility scale renewable and gas-based generation. But it will not solve the time to power issues for an end customer who requires electricity to be delivered reliably at their specific location of use.

As I see it, even assuming massive coordinated investments and clearing of all regulatory and permitting hurdles, it would take well over a decade to make the necessary transmission and distribution upgrades that bring power from generation sites to the customer location. Most of the demand for power growth will come from data centers and vehicle and building electrification. In my view, most of this load growth will be location specific.

Let me highlight a few. To minimize latency, AI and other data centers need to be close to the customer, edge data centers will be the dominant users of power. They will be in economic nerve centers that are already power constrained. Dense and power scarce population centers will have the greatest need for power to charge their mass transit EV systems and delivery fleets. Popular cities with distribution constraints will need the most traditional power to electrify residences in commercial buildings.

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As you can see from these 3 examples, the markets where the grid is already constrained is also where future stress from increased demand is going to come. The grid's ability to supply more power for timely business growth is going to be severely challenged. In a competitive business environment, every delay means lost revenue and opportunity.

So what do you do if you're a data center, a manufacturer, a fulfillment center, a mission-critical hospital or a retail chain that needs power NAV. Rather than wait for the grid and forgo revenue growth, it will be important for companies to take control of their own destiny by procuring distributed power generation at the point of use that is dedicated for them.

If you want to generate 24/7 power reliably at the point of use, without air pollution and no noise, and you need it now, there is no better solution in the market than the Bloom Energy Servers. Our energy servers can be grid tied or completely islanded, no grid interconnection needed. Last year, our average fleet availability at over our 850 installation sites was 99.995%. Let me repeat our annual availability of all our energy servers at all our sites that is over 850 sites was 99.995%, a metric that cannot be matched by any other commercial solution in the market today.

The Bloom Energy Solution, which is zero emissions been operated with net zero fuels also offers the lowest carbon footprint on-site power then operated with natural gas.

Today, even the utilities themselves are aware that they need help and Bloom is an excellent alternative and supplement. They have a choice, either force developers to wait five-plus years for power or embrace Bloom's technology and help their customers and communities grow.

We see two paths to serving an end user. First, we can work with the end customer directly as you have seen with our existing behind-the-meter solutions. We continue to see a strong pipeline and large project sizes, both in the U.S. and internationally. Corvi, a leader in AI, recently purchased Bloom Servers. This is further validation of our technology's importance to artificial intelligence.

Second, we can serve the end customer with front--of-the-meter solutions. Silicon Valley Power, just received City Council approval for up to 100 megawatts of new generation to be served with front-of-the-meter generation that will be sleeved to specific customers in dedicated megawatt increments.

As part of the 100 megawatts, 20 megawatts was approved using Bloom Energy Servers for AWS. Bloom is working with SVP to support the needs of its customers like AWS. Bloom is excited to support SVP's fuel cell development once it finalizes terms with AWS.

Under the planned structure, SVP will resell the power generated by Bloom Energy Server directly to customers under a dedicated restructure or tariff. This fulfills SVP's growth needs without impacting other SVP rate payers. SVP is currently working on procuring the additional 80 megawatts to serve its customers, mainly data centers using the same model.

We applaud Silicon Valley Power for being a leader in providing power choice to its customers. We thank them for embracing Bloom solution. I believe that other utilities should and will follow suit. It is obvious that rather than losing local jobs and tax dollars, such a solution is a win for the local economy, the ratepayers, the customer, the utility, and Bloom.

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Now, switching to technology development. We continue to innovate and further strengthen our leadership position. Earlier this week, we announced that we have achieved 60% electrical efficiency and 90% high-temperature combined heat and power efficiency, while using 100% hydrogen in our fuel cells. These are record efficiencies using hydrogen as a fuel in our energy servers.

Also, I see our CHP offering as a key benefit to customers for heating and cooling. We can achieve 90% fuel efficiency with this option. The first U.S. installation of our CHP solution is at the Energy & Innovation Center in New Britain Park, Connecticut for 20 megawatts and is ready for commissioning. In this case, the Bloom Solution will be leveraged for the parts development of a high-performance computing and data center corridor. These examples speak to the capability and speed with which our team executes on innovating and implementing new technology, as well as the versatility of our solid oxide platform.

I'll be back to take your questions shortly, but for now, I'll turn it over to Dan.

Dan Berenbaum

Thank you, K.R., and good afternoon, everyone. During last quarter's earnings call, which was only two weeks after I joined Bloom, I mentioned that I was already impressed by what I'd seen, the technology, the people and the drive to succeed in our mission. Now, having had the chance to gain an even better understanding of the depth of the team's expertise, the technology, our manufacturing operations, our commercial pipeline, and our product roadmap, I can tell you that I'm even more excited to have joined this team at an inflection point for our solutions.

My top priority is to make sure that we're ready to scale profitably as our solution to the problems of delivering power at the point of use becomes more widely adopted. We have strong commercial and operational leadership. Our chief commercial officer, Aman Joshi, and our chief operations officer, Satish Choudhury, are strong partners in this effort, and they are leveraging the innovations and products developed by our engineering team.

Looking at our Q2 results, revenue for the quarter was $335.8 million, an increase of 11.5% over the second quarter of 2023. Product and service revenue was $278.8 million, an increase of 8.5% year-over-year, slightly trailing the increase in total revenue due to certain higher ASP projects that we booked in Q2 2023. Service revenue increased by 24.1% to $52.5 million, while electricity revenue continues to decline as expected.

Data centers are becoming a larger part of our mix. In addition to projects like the previously announced Intel data center expansion, we're executing on opportunities to support the broader ecosystem by providing power solutions to critical manufacturers that support the data center build-outs. An example of this is our recently announced deal with Quanta, a large manufacturer of data center hardware, which is looking to grow with its customers, but is facing the same time-to-power problems as the data centers they serve.

Non-GAAP gross margin was 21.8% for the second quarter, an improvement of approximately 140 basis points over the second quarter of 2023. Our service business results have continued to improve as planned, and we expect service to be profitable for the full year 2024, which will be a first for us. Our product cost reduction efforts continue, supported by our technology roadmap, manufacturing efficiencies, and the benefits of scale. We continue to expect a 10% year-over-year cost reduction in our core energy servers, consistent with what we have communicated in the past. Non-GAAP operating loss for the second quarter was $3.2 million, an improvement of almost $22.7 million from a loss of $25.9 million in the second quarter of 2023.

Turning to cash flow. Cash from operating activities was an outflow of $175.5 million in the second quarter, due almost entirely to an increase in receivables. It is common for us to have a meaningful cash outflow in the first half of the year and make it up in the second half of the year as we monetize inventory and collect on receivables. We expect cash flow from operations to be positive for the second half of the year.

Turning to the balance sheet.Wwe ended the quarter with $637.8 million of total cash, including the $402 million gross proceeds of the financing we completed in May, net of repurchasing $142 million of our 2025 convertible debt. We are reaffirming our 2024 annual guidance for revenue, margins and profitability. With our backlog and commercial pipeline, we remain confident that we can deliver $1.4 billion to $1.6 billion of annual revenue at approximately 28% non-GAAP gross margin.

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As stated before, where we land within the guidance range will be determined by the timing of projects that are in the pipeline. Consistent with prior years, revenue is expected to be significantly weighted towards Q4. Gross margins should improve as we move through the remainder of the year on lower product costs and improving service performance.

As we have noted previously, there is significant volume leverage in the financial model. With this annual revenue and gross margin profile, we should be well-positioned to achieve non-GAAP operating profit of $75 million to $100 million.

As we look beyond 2024, we are conscious that changes in our product mix are changing the way we use certain metrics to forecast our business. We plan to closely evaluate the effectiveness and relevance of certain of our metrics, as well as potentially introducing new metrics to give investors the clearest possible picture of how we operate and assess the performance of our business.

To conclude, we're pleased with the momentum we're seeing in our commercial pipeline, and I believe we're on a strong financial footing to continue delivering on these projects and to scale our business further. Our product suite is the perfect fit for the energy challenges that companies around the world are facing, and we are laser-focused on positioning Bloom to scale profitably and continue to provide the most efficient and reliable solutions for the world's evolving energy needs.

Before I conclude my remarks, I'd like to note that this will be Ed Vallejo's final earnings call with Bloom Energy as he moves on to other opportunities. I want to thank Ed for everything that he's done for Bloom over the course of the past three years, and we all wish him well in his future endeavors.

I'd also like to introduce Michael Cherny [ph], who has just joined Bloom as our new VP of Investor Relations. With over 20 years of buy-side experience, I'm sure that Michael will be able to continue and enhance the investor communications program that Ed has ramped up.

With that, operator, please open the line for questions.

Question-and-Answer Session

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from the line of Andrew Percoco with Morgan Stanley. Please go ahead.

Andrew Percoco

Great. Thanks so much, and good evening, everyone. Thanks for taking the question. I do want to start on the data center side here. Great to see you guys make some progress on that front with the core REIT announcement this quarter. So congrats on that. But I guess as we think about the evolution of this opportunity, how should we be thinking about the sizing of these deals?

The Corvi's deal looked to be about 15 megawatts. Is that the sweet spot for you guys? Or should we start to expect some larger deals, we're starting to see some data centers obviously well in excess of 100 megawatts. I'm just wondering if we should be expecting those types of deals to be announced from you guys at some point this year? Thank you.

KR Sridhar

Hey Andrew, thank you for the call, and great question. So, I think what you should expect is an entire spectrum. You shouldn't expect the spectrum from anywhere in the fuel single-digit megawatts all the way to hundreds of megawatts. And they're all in our mix right now as we speak.

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And here is the reason why there are data centers with additional white space all switching from CPU to GPU that requires more power in the same white space and are not able to get their power right away. There are small edge data centers being built wherever they have fixes land and other infrastructure for which deny smaller size data centers and I say smaller size in the single-tier 15, 20, 25 megawatts.

Then you're looking at data centers on the edge, this is in dense cities, all the way to 100-plus megawatts that are custom-built for the hyperscalers and those who be in the 100-megawatt range. So as we see it, both from data center operators that purpose-built, hyperscalers as well as edge data centers, we are seeing a spectrum from 5 all the way to hundreds of megawatts.

So obviously, the smaller the size of the deal, quicker the velocity on getting the transaction done, I've illustrated many times that these large deals are fairly complex and big size orders and takes a little bit longer to come. So we expect the entire spectrum.

Operator

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

Unidentified Analyst

It's Henry on for Jordan here. Congrats on the quarter. Just on the remaining Amazon volume that it gets to be deployed, I just want to ask some kind of what the outlook or time line we should be expecting for those. If you can say anything at this point on that?

KR Sridhar

Yes. So, I think there are two leg references there, if you like look at it, one is with Silicon Valley Power Amazon, AWS is negotiating with Silicon Valley Power separately to get into a contract and that contract of 20 megawatts will be fulfilled by Bloom by having a contract with Silicon Valley Power.

This is in front-of-the-meter. It is a -- our customer is the municipal it at the Silicon Valley Power and their customer is AWS, but it is dedicated and sleeve to them at a rate that they negotiate specifically for them, and it doesn't impact any other rate there. I think this model is a phenomenal model and that will grow as we go forward.

Separately, you're aware that AWS halted working on the 73-megawatt contract they had with us in Oregon, they have separately submitted a relocation request to us for all of 73 megawatts to Ohio. We are currently working with AWS on those details.

Both these deals are being worked in parallel, and there will be many other opportunities, hopefully, given our strong working relationship between AWS and Go. Thank you.

Operator

Our next question comes from the line of Dushyant Ailani with Jefferies. Please go ahead.

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Dushyant Ailani

Hi. Thanks for taking my questions. Just wanted to get an understanding of the guide, the $1.4 billion to $1.6 billion. Does that include any potential near-term data center orders? Or what are the puts and takes of the data centers or whether it's from SK? Thank you.

Dan Berenbaum

So we've talked about the $1.4 billion to $1.6 billion. We talked about where we end up within that range being dependent on timing of projects. We haven't talked specifically about what those projects are, and we don't talk specifically about sizes of projects with specific customers. We try to avoid providing those details on specific customers. So all we can say is that we have between our backlog and our commercial pipeline, we are confident in being within that range of $1.4 billion to $1.6 billion for the year, where we wind up within that range is dependent on timing of projects.

KR Sridhar

And Dan, to add to that, this is KR, Dushyant. What I would say is given how strong the data center market is for us in a segment, you should assume that some amount of our installations will be in the data center space, but it's up to our customers to speak to that size and not up to us.

Operator

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

Manav Gupta

Congrats on the new orders. A quick back of the envelope masses indicating to hit about 28% gross margins. You have to be around 32% gross margin, a significant improvement from one -- from the first half. You guys are known to hit the guidance. So help us understand all the factors that will help drive a materially better gross margin in the second half of this year. Thank you.

Dan Berenbaum

Well, I mean I talk through all of the factors, if you don't mind, Manav. But look, as we've discussed, there's significant volume leverage in our model. As we ramp volume, we expect to see the benefits of that. And I mean, look, to the point we reiterate our guidance. We are confident in our commercial pipeline. We are confident in the margin leverage that comes with that growing volume. And so that's what will get us 28%. Your math is correct. I do understand that we need to have very strong gross margins in the back half of the year to hit that 28% for the full year, and we're confident in doing so.

Operator

Our next question comes from the line of James West with Evercore ISI. Please go ahead.

James West

Hey, good afternoon, guys. So KR, we certainly agree with your view of the role of the next 5 to 10 years with electrification and the need for gas electrification, especially. And we've heard from a number of the traditional energy companies already, special the pipeline companies that are being asked to pipe natural gas directly to data centers. I was curious how that works between Bloom, the data center, the maybe traditional energy companies. Are you all in a consortium? Is it all run by the data center producer? I mean, how does it all come together?

KR Sridhar

So the way -- again, that's a very good question. So the -- there is not a specific model as the first thing that I would say. It varies from place to place and state to state. That's the first answer. The second answer is the following. Then a data center deal is being put together, assuming it's a purpose-built data center, they would first negotiate their deal with their hyperscaler who is their customer. They will have an LOI with them. And that's the process. Even for them to have an LOI, they need to have a fairly good handle on their overall cost, their partners and how much that compute is going to cost in order to have the LOI. So these things, to some extent, are happening in parallel. So they will engage with that as a technology provider.

We will be working with them to assess? Is there an upgrade to the gas system as the gas system already exist? Are they going to procure the gas wholesale, retail, how is it going to play out, what the local regulations are. So this is how it all comes together. So in a way, it's a multiparty negotiation happening together.

So I'm glad you asked the question because I've mentioned multiple times how this deal is fairly complex. But now if you think about a 100-plus megawatt deal that is well north of $1 billion in total value, and now you look at the number of parties that have to be engaged and working together, that's what gives you that longer duration or a long-cycle sale, but it's a very sticky, good sale, and you will see these things happen...

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James West

Thank you.

Operator

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

Ed Vallejo

Are you there, Colin? We'll come back to Colin then.

Operator

Our next question comes from the line of Chris Dendrinos with RBC Capital Markets. Please go ahead.

Chris Dendrinos

Yes, thank you. So I think South Korea is hosting one of its hydrogen power options. And I guess just in light of the announcement on your fuel cell with hydrogen and the efficiency improvement, can you maybe speak to, I guess, your overall competitiveness in that market and how maybe this feel still helps position you all there? Thanks.

KR Sridhar

Hey, Chris, that's a very good question. You're absolutely right. As Korea has modified the auction process and has a pretty strong emphasis on hydrogen as a possible fuel, you would have noticed, we are not reactive. We are proactive. The press release that we put out is work in progress of our engineering team and our product development team for the last many years.

And I just want to emphasize, 60% electrical efficiency and a 90% overall efficiency and that other 30% of that heat coming at high temperature steam, there is not a technology in the world that can match that. So we are extremely well positioned in that market, both for the natural gas systems as well as the hydrogen systems. Our job is to make sure it is up to the customer to figure out when they transition from one fuel to another, but irrespective of what that fuel is, we provide our really good partner, SK, with the best technology option. And if they were on the call, I would assume they would say Bloom has given them the best technology option. Thank you.

Operator

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

Martin Malloy

Good afternoon. Just wanted to try to maybe get a better idea around the economics of the Bloom server. I was wondering if maybe you could speak to the heat rate for one of your servers or just give us -- I'm trying to get a sense for how much it would cost with behind-the-meter situation, say, $2.50 gas per kilowatt hour basis.

KR Sridhar

Hey, Martin, this is KR. You're asking a question that's all over the map, and we may need to spend the rest of the call if I were to explain that. So here's what we will do. I'll have our team work with you separately to provide you that, because we have provided that in multiple other places. But look, I think this is the way you've got to think about our business.

At the end of the day, we are serving an end customer, specifically sleeved end for whom the option of buying from us or not buying from us is based on their cost of electricity buying from us compared to their alternate. In every case, the customer buys from us, because we are equal to or better than the grid in terms of price along with all the other attributes, reliability, sustainability, you name it.

Then we are in front of the meter, the reason the customer will transact, sleeve in with us is because there is no other way. Let me emphasize, no other way for that customer to get reliable power on site in a time to power fashion, where the price of not having power is significantly larger than the cost of power. So that's the calculation they do. That's how they do it. So the heat rate and all that is interesting thermodynamically, it's not interesting to the customer. Thank you.

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Operator

Our next question comes from the line of Chris Senyek with Wolfe Research. Please go ahead.

Chris Senyek

Hi, KR, Dan. Thanks for taking my question. I noticed in the queue there's an electrolyzer agreement to sell to a European buyer. Are you able to expand on that a bit just in terms of size, timing of sales? Thanks.

KR Sridhar

So, look, there is a lot of things in the pipeline in various stages of our pipeline. And our policy with talking about any commercial agreement with any customer is when we have the permission of that customer to speak so. So we are pursuing electrolyzers. You know that we have the world's best, most efficient electrolyzer. There are many markets where we are engaged in conversations. Please stay tuned. When we have the proper permissions and the proper timing, we will let you know. Thank you.

Operator

Our next question comes from a line of Noel Parks with Tuohy Brothers. Please go ahead.

Noel Parks

Hi, good afternoon. One thing I was interested in, of course, the most attention-getting situation is a brand-new customer with a specific need, and they're coming to you, and what sort of deal and economics can you work out? I wonder if you could talk a bit about trends you're seeing with your repeat customers. Could you talk a bit about trends you're seeing with your repeat customers, maybe some of your long-time existing customers, because they, of course, are also at the door, wanting product, wanting expansion. So maybe what comes down is maybe just sales cycle being much compressed with those. And how much -- when you're just looking at the year's guidance, how much of that really can be accomplished just on the backs of your well-established customers looking to expand?

KR Sridhar

That's a very good question. Look, without getting into particular quarters and the year, as you know, very well know, our policy to talk about the year's bookings at the end of the year. So without referring to this year, traditionally, I can tell you, roughly two-thirds of our business comes from [indiscernible] business, okay, in terms of the volume in terms of volume from dollar amounts. Obviously, from the numbers, we used to have a lot more newer customers. And the reason is they pilot and then they scale with us. So land and expand has been our strategy.

However, what we are seeing now is some first-time customers, especially in the data center space and other spaces, given that we are a well-established technology for this particular segment like data centers are coming in with very large sales cycle. So that dynamic could change this year potentially, depending on when we land those big deals, and we -- you will see more and more of that happen as we go forward. So that's the dynamic. But very clearly, our existing customer base is a strong base. We have a good share of their wallet, but we can get a lot more share of their wallet, and we continue to grow that.

Noel Parks

Thank you.

Operator

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

Ameet Thakkar

Hi. Thanks for taking my question. I know I think in the last time we had an earnings call to you all the IRS, I guess, proposed initial guidance for the 4 investment tax credit. And I think last week, you guys filed some comments with the IRS and Department of Treasury on that, I think kind of something to the effect that the credit will be rendered useless as it's proposed. I was just wondering, how you could kind of maybe talk to us about how that would kind of necessitate more cost down if the guidelines stay as it is? Thanks.

KR Sridhar

Yes. So look, I can't remember in our couple of decades commercial history policy and policy uncertainty over not being a looming issue for the company, and there have been even times when that policy has been reworked for a while and then brought back on. Nilen in those early days when our cost structure was significantly higher than where it was and the need for power and the lack of availability of power was not an issue. We showed the resilience as a company to be able to operate. It is that same discipline is on to adopt out here. We clearly are going to advocate for and try to get the best policies for our customers and for the environment. However, should that not happen, we will find ways to still work with our customers and be profitable. So that's how the company is0 being built. If we not just sell resilient products, we're trying to build a resilient business.

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Dan Berenbaum

Yes. I'll just add. We operate in jurisdictions with government support. We operate in jurisdictions that have no government support. We're successful with customers in all of those cases, and we will make sure that we're working towards setting up a company that is going to be profitable under any of those circumstances for and successful for the long term.

Ameet Thakkar

Thanks, Dan.

Operator

Our next question comes from the line of Alex Kania with Marathon Capital. Please go ahead.

Alex Kania

Hi there. Good afternoon. Maybe a broader question just on demand, if you could help characterize, maybe just the sense of customers that are interested in the fuel cell solutions even beyond data centers? And just thinking about the PJM auction that happened a couple of weeks ago as to whether that ends up serving as a bit of a wake-up call for a broader range of customers, I be more willing to explore behind the meter, let's say, solutions? Thanks.

KR Sridhar

Alex, that's a very good question. And look, the electrification of everything, charging, no matter where you look from automation of warehouses. -- from the amount of power per square foot of warehouse will start consuming when all this automation comes in place.

A warming planet means that more cooling electricity is needed in more places. You put all that together, the demand is not just from the data centers, but the size, scale and velocity with, which the data centers move in the next year will be faster than these other sectors. But, notwithstanding, that you will see equal or more everything else put together the demand drivers coming from everything else.

So we are focused, as you know, on multiple sectors. But today, we talk more about the data center just because that is at the top, and it's catching everybody's potential. But we agree with you. Our business is a lot broader and a lot stronger. And in each of these places, even with utilities, the Silicon Valley, power model is a wonderful model. You say utility is not able to service customers, because of the congestion, what prevents them from still keeping that end customer as their customer and using our technology to provide power to their customers using our solution.

After all, they don't build nuclear power plants. They don't build coal power plants. They don't build Bloom Boxes either. That didn't stop them from using that power to provide power for their customer, same thing here. So great question. We expect to see this trend pick up, and we applaud Silicon Valley Power for being a leader in this space to create that model.

Operator

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

Ben Kallo

Good afternoon guys. Just a short-term question on product costs that picked up by, I guess, year-over-year. But then the longer term question is just the targets you gave at your Analyst Day. Sometimes, I think that we don't know the visibility you have. But just wanted to understand your thoughts around those targets, what is it now, a couple of years closer from what you first gave? Thank you.

Dan Berenbaum

Yeah. So a couple of questions in there, but good questions, and let me take them one at a time a little bit. So again, this is my first full quarter at the company. We're continuing to look at the business, identify ways to simplify our reporting. Most importantly, we want to ensure that the reporting that we do what we tell investors really reflect the underlying fundamentals that we look at when we make decisions, how we operate the business and how we judge the business performance.

On the cost side, as you look at our business today, a number of things are changing. So metrics that were very relevant are becoming a little bit less relevant. For example, we talk about the cost per kilowatt that we publish. We're adding new countries, and our geographic mix is changing. We're looking at solutions in front of the meter and behind the meter. We're looking at new solutions like combined heat and power, carbon capture microgrid. All of those things add cost per kilowatt, if you look at it from a very high level, but it's because our -- the flexibility of our product, the configurations around our core product continue to expand. And so some of those metrics that we've used in the past are maybe becoming a little bit less relevant. It's a little bit more difficult to compare things apples-to-apples to prior periods.

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So again, and this ties into the question you asked about our longer-term model, we still have a little bit of thinking to do about how we want to communicate what additional metrics we're going to start to provide what metrics we're going to simplify and how we're going to talk about it.

KR Sridhar

And one additional thing, Dan, that I would add to you like response here has been on an apples -- and apples-to-apples basis, the company, as we promised in the beginning of the year, will meet a double-digit cost reduction. So we are on track to meeting cost reductions on that old basis. But you are seeing the numbers being reported based on what Dan told you -- and that's the beauty and versatility of the platform. But while the cost changes, so will we be able to command on the price side. So at the end of the day, we should be looking at our revenues and our margins, and that's the true measure of our business.

Dan Berenbaum

Absolutely. And the measure we look at is our profitability and our growth.

Operator

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

Pavel Molchanov

Thanks for taking my question. Can we get a quick update on Baker Hughes and the Microgrid initiatives?

KR Sridhar

So look, again, instead of talking about a customer, let me tell you the Microgrid initiative that we started, we roughly operate north of 150 microgrids today. So for you to know where we are, that's where we are as a business, okay? And number one. And number two, given how you can turn your TV on and find out every single day in some part of the country that's a natural disaster and the grid has gone out. We do we have done thousands of sales for our customers through this 150-plus microgrids. What is more important, we are graduating even past the microgrid right now. for many of our customers who have time to power issues, it is not only being able to provide them power quickly, but do so without being connected to the grid, completely islanded because the interconnection is the hardest. Most technologies cannot do that. I don't know of anyone that can do that reliably other than us. That's why that 99.995% availability that we had on our 850-plus sites is important.

So we will not only continue to do microgrids, but we will do islanded grids, which are also -- which are microgrids plus, if you want to call it that way, okay? And that business is strong, and we expect it to grow as time goes by a recent announcement that we made in the AI space for Quanta is islanded microgrid, which is not connected to the clip.

Pavel Molchanov

Thank you.

Operator

Our next question comes from Skye Landon with Redburn Atlantic. Please go ahead.

Skye Landon

Hi. Thanks for taking my question. I wanted to circle back on data centers and specifically revenue mix. Are you able to provide us with some color around the historical mix of Bloom's revenues, which can be attributed to data center deployments, how this has developed over time? And then looking forward to you able to provide some detail around what percentage of the mix, you're currently anticipating that could be associated with data center deployments in the short or medium-term. Thank you.

Dan Berenbaum

So we haven't broken that out as a percentage of our mix. I will tell you, again, relative to some of the questions that were asked a bit earlier about our geographic mix. And, you know, obviously, we are very strong in Korea. We have a strong partner in SK eco. We really like doing business in Korea. But if you look at our targets and if you look at the business that we have in front of us, you might expect the U.S. and other geographies where there's significant data center activity to grow even faster. So, we don't break those out as a specific part of the mix, but given the commercial opportunity that we've talked about, you would expect data center to become a larger portion of our business.

KR Sridhar

That's right, Dan. And I would add two things to what Dan just told you, right? We can tell you that the booked and deployed data center business for us is more than 300 megawatts, right? That should give you a sense of the history, number one. Number two, you should expect, given the issues the U.S. is facing in terms of both the growth as well as the shortage, growth on demand and the shortage of supply of power, that our U.S. business is growing much more robustly today than the rest of the world and the rest of the world will catch up. So you will see that kind of back and forth as time goes on. And that's the beauty of having diversification. And our goal is to diversify more and more as we go forward. Thank you.

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Operator

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

Colin Rusch

Thanks so much, guys, and apologies for the trouble earlier. I just had two quick questions on the cash flow statement. You know, the receivables were up $175 million, and the contract assets were written down. I just want to understand both those dynamics and how we should think about cash flow on the balance of the year, if you're going to get some of those receivables back, or if we should be thinking about this as a more normalized level here on receivables?

Dan Berenbaum

Yes, so a couple points. I said in my prepared remarks that we expect cash flow from operating activities to be positive in the second half of the year. On the receivable side, I mean, you're right, that's just the math. There's nothing strange there. We just had timing of sales, and that means that use of cash went to receivables. It's quite common for Bloom in its history to see a use of cash in the first half of the year and then for cash to come back in more positive in the second half of the year. So I think we're following that kind of normal pattern. You know, recall that the largest piece of our receivables currently is the SK receivables, the related party receivable. SK is a great partner. We are confident in collecting that receivable. And I think that's all I have to say on that. Operator, next question, please. And thanks for figuring out the technical problems, Colin.

KR Sridhar

I think we are out of time. So, let's keep Colin's question as the last question. I want to thank you all for joining this call. Here is your -- at a high level, this is the way I see it, right? I don't have to convince any one of you today that energy demand driven by AI, electrification, all the other growth vectors in the country is creating a demand that simply cannot be met by the grid in many places.

And Bloom has a power being provided at the point of use with the right attributes of reliability and clean is becoming the best alternative option in this scenario. Gas, for the many years to come is here to stay, and you don't have to take my word for it. Look at the hyperscalers who have been the leader in adopting renewable power, telling you that they'll continue to grow their renewable power portfolio, which is the right thing to do, but simply cannot operate without gas.

And under those circumstances, there is no better technology to convert it reliably for them and solve their time to power problems than Bloom. This scenario of supply/demand and what needs to happen couldn't come at a better time for Bloom because we have clearly shown through the last few quarters and our numbers that we have a business model that can operate profitably.

And if you ask us what we are seeing? We are seeing that very clearly from the amount of customer engagement and amount of contract negotiations that's going on, if I go to my commercial desk.

For that reason, we are continuing to strengthen our commercial team and keep growing it and adding to that because of that enthusiasm that we see on the customer side, which we think is secular and structural and is here to stay for a long time. So, we are well-placed and our team is executing and firing on all cylinders. Thank you for joining us.

Operator

That concludes today's call. You may now disconnect.

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