

# **Nikola Corporation (NKLA) Q1 2024 Earnings Call Transcript**

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**Body**

Nikola Corporation. (NKLA)

Q1 2024 Earnings Conference Call

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Company Participants

Steve Girsky - President, CEO

Thomas Okray - CFO

Conference Call Participants

Mike Shlisky - D. A. Davidson

Greg Lewis - BTIG

Winnie Dong - Deutsche Bank

Jeffrey Kaufman - Vertical Research Partners

Jeffrey Osborne - TD Cowen

Scott Group - Wolfe Research

Presentation

Operator

Good morning. Welcome to Nikola Corporation's First Quarter 2024 Earnings and Business Update Call. Currently, all participants are in listen-only mode. We will begin today's call with a short video presentation, followed by management's prepared remarks. A brief question-and-answer session will follow the prepared remarks. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce Soy Jin [ph], Head of Investor Relations. Please go ahead.

Unidentified Company Representative

Thank you, operator and good morning, everyone. Welcome to Nikola Corporation's first quarter 2024 earnings and business update call.

Joining me today are Steve Girsky, President CEO; and Tom Okray, Chief Financial Officer. A press release detailing our financial and business results was distributed earlier this morning. This release can be found on the Investor Relations section of our website, along with presentation slides accompanying today's call.

Today's discussion includes references to non-GAAP measures. These presentation includes adjusted EBITDA, earnings per share, adjusted free cash flow and other non-GAAP measures. These measures are reconciled to the most comparable U.S. GAAP measures and can be found at the end of the Q1 earnings press release we issued today. Today's discussion also includes forward-looking statement about our future results, expectations and plans.

Actual results may differ materially from those stated and some factors that could cause actual results to differ are also explained at the end of today's earnings press release and on Page 2 of our earnings call deck and also in our filings with the SEC.

Forward-looking statement speak only as of the date on which they're made. You are cautioned not to put undue reliance on forward-looking statement. After the video presentation, Steve and Brian will provide their prepared remarks, followed by analysts Q&A, then we will conclude with questions from our stockholders.

Please begin the video presentation. Thank you.

[Audio-Video Presentation]

Steve Girsky

Thanks, Sally and good morning everyone. Welcome to our first quarter 2024 earnings and business update call. We're thrilled to be joined for the first time by Tom Okray, our new chief financial officer. Tom brings four decades of public company experience to Nikola, from GM to Amazon to Eaton. He's approached our business with a fresh perspective. With this outlook and his keen sense of financial discipline we look forward to the impact he'll make on Nikola in the quarters to come.

Before handing it over to Tom, I'd like to talk about what's going on with Nikola today. We continue to move forward rapidly and execute on our plans and please keep that in mind. We are in the execution phase not the planning or concepting phase. Last quarter I talked about getting on the field with the first deliveries of our hydrogen fuel cell electric trucks. Today we are executing plays competing and cultivating more green shoots as we expand upon current markets and enter new ones. At Nikola we emphasize that this is not a science project. We have real trucks on North American roads and as you've seen we're growing.

At the end of Q1, we announced that we had wholesaled 40 hydrogen fuel cell electric trucks all designated for end fleets. This exceeded the high end of the guidance range. That makes 75 wholesaled fuel cell trucks in the first two quarters of serial production. We're seeing green shoots with repeat and new fleets some in new markets such as New York. While our initial focus has been California and Canada, we can expand our reach to meet the demands of end fleet users virtually anywhere in the U.S. We've spoken about the chicken and egg challenge for years. We've expanded HYLA's North American reach in the quarter with the grand opening of our Ontario California modular refueling station and with our partners at ITD in Canada we announced the first commercial modular refueling station in Edmonton, Alberta.

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HYLA's hydrogen highway plan remains on track for 2024. In fact, we recently opened another modular refueling station near the port of Long Beach, California to support primarily drayage fleets in this high density area. We continue to be encouraged by opportunities in constructive green policies. We are pioneers for our zero missions world to decarbonize the trucking industry. We cannot do this alone. We need both private and public partners.

The tailwinds we see from the Inflation Reduction Act of 2022 EPA Clean Ports Program and state specific policies at CARB to name a few support our mission. We've spoken many times of the one truck, two powertrain strategy. We promise that the first delivery of our improved battery electric truck which we refer to as the BEV 2.0 would be completed by the end of Q1. We delivered on this commitment.

Now let's get to the business update. Again we exceeded Q1 expectations and host held 40 hydrogen fuel cell electric trucks all designated for end fleet users. Repeat fleet customer IMC the largest marine drayage company in the U.S. with more than 2,000 trucks in their fleet and operations coast to coast order 10 fuel cell electric vehicles from our dealer network in Q1. This was after their initial order of 10 in Q4 and they've announced that they're taking 30 more for a total of 50.

IMC has expressed strong interest in growing with us as we continue to build out modular hydrogen refueling stations near critical ports such as Long Beach and along busy freight corridors where they operate. Fleets such as AJR demonstrate our focus to fulfill prior commitments and align ourselves with their business needs. AJR with a total fleet of more than 500 trucks is a leading carrier for the United States Postal Service and a major drayage operator in the ports of Los Angeles and Long Beach. They announced a 50 unit purchase order for Nikola fuel cell trucks in May of 2023. We delivered the first 15 fuel cell trucks of this order to our dealer network in Q1 and we are working to continue our relationship with them as fueling solutions come online in freight corridors critical to their operations.

New fuel cell electric vehicle fleet users such as Green Transportation Group or GTG help Nikola enter new markets in the northeast. GTG is a large full-service 100% emissions-free freight and logistics provider in the New York Tri-State area. We delivered 10 fuel cell trucks to our dealer network designated for GTG. Notably GTG will locally source hydrogen from an authorized fueling provider independent from Nikola. Non-California or Canada customers such as GTG demonstrate that the sale of fuel cell electric vehicles can be decoupled from high-less sourced hydrogen which enable us to penetrate new markets with less capital.

As Tom will explain later in the call expanding geographical focus especially with large volume accounts including national accounts is an important priority of ours going forward? Enabling our fleet users to access hydrogen independently is a growth factor in this strategy.

Program to date, Nikola fuel cell electric vehicles have accumulated over 830,000 miles with an average fuel economy exceeding our target of 7.2 miles per kilogram. We're doing what it takes to delight prospective and existing customers with the best possible experience.

Moving to chart 7 we maintained our dominant market share of HVIP vouchers for class 8 fuel cell electric vehicles and in the quarter with 362 of 367 or 99% of the vouchers that were requested in 2023 through March of 2024. We remained under soft cap review at CARB for much of Q1 after reaching a ceiling on unredeemed vouchers. For context in response to the strong demand of our zero mission trucks we have been requesting higher soft caps at CARB throughout 2023. Our most recent soft cap request for 500 unredeemed vouchers was granted in early April.

On the battery electric vehicle side, we ended Q1 with 85 unredeemed vouchers or 30% market share during the same period. Being a pioneer is not easy and again we cannot do it alone. We share an aligned mission with CARB to help California achieve its air quality and emissions reductions goals. HVIP is only one program and we continue to be encouraged by opportunities in other constructive green policies. Two, in particular help us fund our business.

CARB's heavy-duty omnibus regulation allows us to monetize the NOx and particulate matter or PM credits we generate from selling zero mission trucks on a model year basis. Other OEMs or engine manufacturers that sell products above emission standards in California must purchase credits to enable sales of combustion engines. We are pleased to confirm that Nikola has executed its first sale agreement for credits generated from model year 22 and revenue from this transaction will be recognized in Q2 2024. We expect future revenue from the sale of CARB credits to grow over time and be meaningful.

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California Advanced Clean Truck ACT credits is another program that supports Nikola's mission to decarbonize trucking. Again, we generate credits for selling zero mission trucks in California on a model year basis. OEMs that sell combustion trucks in California generate deficits that must be offset by purchase credits. We have an opportunity to be a market maker in this space and are actively negotiating with counterparties to monetize credits.

In addition the EPA Clean Ports program provides $3 billion to fund zero mission port equipment and infrastructure as well as climate and air quality planning at U.S. ports. Nikola has engaged with several private and public entities at strategic ports across the U.S. to apply together for funding to help ports decarbonize and transition to zero missions. Our HYLA team is executing its hydrogen highway plan and we remain on track. Previously, we had committed to nine additional HYLA refueling stations in California by year-end 2024.

Now we are expecting to provide nine hydrogen fueling solutions by mid-year 2024 and 14 by year-end 2024. These solutions include modular fuelers and partner stations in California, Canada and our home station at our Coolidge Arizona manufacturing facility. We want to emphasize that building the hydrogen ecosystem requires industry-wide collaboration for the benefit of all. We need partners and they come in different forms and stages of infrastructure development. The shared mission is to build an open ecosystem accessible to all.

As mentioned during Q1, we launched HYLA's first modular fueling station in Ontario, California. This station is live with 24/7 operations to support fleets. We also recently opened a refueling station near the port of Long Beach. This is a critical site for us to support the heavy drayage operations out of the port for fleets like IMC. Lastly, we announced Alberta's first commercial hydrogen refueling station along Highway 2, a vital freight corridor connecting Edmonton to Calgary. This station supports our close collaboration with the Alberta Motor Transport Association and our Canadian dealer ITD Industries.

Finally, we completed the first delivery of the remediated BEV in Q1. We continue to prioritize returning BEVs to customers and dealers and now expect to complete remediation of these units by year end 2024. Our ability to sell Nikola's on-hand inventory, however, will be dependent upon future battery supply. We now expect to opportunistically sell on-hand inventory for revenue in 2025. We've also taken this opportunity to future-proof the BEV 2.0 as it now shares significant software commonality with the battery and operating systems of the fuel cell electric vehicle, allowing customers to receive next-generation upgrades seamlessly over the air as they are deployed. We've kept our fleet users front and center as we've engineered over-the-air enhancements, including dynamic data gathering for predictive diagnostics, improved truck performance, and field-issue identification. We've also deployed new advanced driver assistance systems, features to effectively manage powertrain demand in aggressive route conditions such as mountainous driving.

Again, growing Nikola is about being nimble, learning as we go, and adapting to meet the demands of our customers. Passing it to Tom to cover the financial results. Welcome, Tom.

Thomas Okray

Thanks, Steve. I've learned a great deal in the two months I've been at Nikola. The energy and unflinching spirit I see here is inspirational. We're pioneers at Nikola and bringing the world closer to our zero-emissions vision. Remaining committed to our mission and consistently following through on what we say we're going to do will make our vision a reality.

Moving to Chart 12, the Profitability Flywheel. As we have highlighted, we are excited about being in serial production and delivering 40 fuel cell trucks in the quarter and 75 trucks in the last two quarters. There is a market for our trucks and we've begun to demonstrate that. That said, profitability will not be where we want it to be until we can build scale. Simply put, it is not practical to optimize our cost structure without a meaningful level of volume. So what are we doing differently to build the volume? There are a few things I would like to highlight.

First, we are putting a greater focus on selling to national accounts, which we define as fleets greater than a thousand trucks. Second, we are being more forgiving on the economics of the initial deal to build confidence with our end fleet users. We are confident once end fleet users drive our trucks, they will be delighted and want more.

Finally, we are expanding our geographical focus beyond California and Canada. In short, we will leverage partnerships to build volume across North America. With meaningful volume, we will be able to provide our supplier partners with a consistent order book. The order book will enable suppliers to be able to provide their suppliers to optimize their cost structure by enabling economies of scale to reduce our bill of material.

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In addition, we will utilize the scale to optimize our cost, reducing our operating expenses and optimizing our manufacturing costs. The flywheel described above will not only lead to profitability, but also put Nikola in the driver's seat of the hydrogen economy, attracting partners who believe in this mission and want to get a head start.

Chart 13 contains our financial highlights. As noted previously, absent meaningful volume, profitability will be below our expectations. For the quarter, we had a gross loss of $57.6 million. That said, we're making progress. With respect to the top line, we exceeded the high end of our volume guidance by delivering 40 fuel cell trucks with revenue of approximately $15 million, also above the high end of guidance after adjusting for BEV returns associated with dealer cancellations. Further, the average sales price of the 40 fuel cell trucks improved sequentially by $30,000 per unit to $381,000.

On the operating side, R&D and SG&A on an adjusted basis were favorable to guidance. With respect to cash, our unrestricted cash declined $119 million sequentially. Our cash burn improved sequentially versus the fourth quarter in 2023. We have a lot of work to do, but we are making progress.

Moving on to chart 14. For fiscal year 2024, our fuel cell wholesale delivery guidance remains unchanged at 300 trucks to 350 trucks, with Q2 being between 50 and 60 wholesale deliveries. For the reasons highlighted earlier, with respect to the BEV, we will look to sell our on-hand inventory opportunistically in 2025. Profitability is related to execution of the flywheel discussed earlier in the call. As such, we will be focused on gaining momentum.

Finally, we have demonstrated an ability to raise capital, and as we continue to execute our plan, it will only increase as the flywheel gains momentum. Back to Steve for closing remarks.

Steve Girsky

Thanks, Tom. We're glad you're here. To close on a personal note, I have invested more than four years in Nikola and have been through the ups and downs of the company. I believe in our leadership team, our board, and what the team has created. As a leader, I am financially invested in the company, and I have never sold one share of Nikola's stock outside of paying tax obligations, period. I am focused on removing unnecessary distractions, growing our business, and progressing on the path to profitability.

As Nikola moves forward, we will keep hitting on milestones. On April 29th, our 100th production fuel cell electric vehicle drove off our Coolidge line. This is truly a testament to our Arizona teams in Phoenix, Coolidge, and supplier partners around the world. This is just the beginning. I remain inspired by the people at Nikola, the faith of our stockholders, and the mission that we all share, to decarbonize trucking and pioneer solutions for a zero emissions world. These words are what our team lives by, and we thank you for being part of it.

This concludes our prepared remarks. Operator, please open the line for analyst questions.

Question-and-Answer Session

Operator

Thank you. [Operator Instructions] Our first question is from Scott Group with Wolfe Research. Please proceed. Scott, please check and see if your line is muted. Okay, we will move on.

Steve Girsky

Can't hear you, Scott.

Operator

Okay, we'll move on to the next question. Our next question is from Mike Shlisky with D. A. Davidson. Please proceed.

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Mike Shlisky

Yes, good morning and thanks for taking my question. Tom, I may want to get a little more clarity about some of the comments that you made. If I took it correctly, if I understood what you're trying to say, it sounds like perhaps the pricing of future FCEVs for the rest of the next of the year or so might not be as high as initially planned. Are you intending to cut prices to get customer trial, to get a few in there? And you also kind of said comments, basically saying that it almost implied that you don't see much need to cut costs going forward either. It's going to take the volume to meet those costs that you currently have, which are a bit lower than they have in the past, but it's going to take more volumes to make the current cost structure work. So can you maybe just comment on whether you're going to cut price, whether you do have any plans to reduce costs going forward?

Steve Girsky

Yes. Let me start with the second part of the question first, we definitely need to optimize our cost structure. No question about it. What we were trying to get at though, with the flywheel and my two months been here crawling around the numbers, is we need to have meaningful volume to be able to go to our supplier partners and work with them to optimize our bom [ph]. And that comes down to credible order book, something that they can plan their operations on and optimize their operations. And that's where we touched on the three focus points in terms of national accounts, geography, as well as what was the third one?

Mike Shlisky

National account, National Council geography, and that was it.

Steve Girsky

Yes. Oh, and also the economics coming back. I'm sorry, coming back to your first point. So the three points are national accounts being forgiven on the initial deal and geography. So being forgiven on the initial deal. What does that mean? Does that mean a price cut? No, it doesn't mean a price cut. In fact, you see that our price is increasing sequentially versus the prior quarter. What it does mean though is we need to land the big national accounts, those that are over 1000. And to do that, we are not going to be puffing out our chest and really wrestling with the economics at the expense of getting the volume on the road.

We're confident that once we get the trucks in the customer's hand, that they are going to love the trucks and we are going to have longer term business with them. So bottom line is, yes, for sure, we have to cut our costs. The other thing with the national accounts is it will give us more experience for our warranty expense, which is way too high right now.

It will give us an opportunity to plan our manufacturing expense so the point of the flywheel is the volume is foundational, and we just want to be very open and say we need to be flexible with the initial part of the deal. Thanks for the question.

Thomas Okray

I think just to add to that, just in general, big customers get better price deals than smaller customers. I think it's as simple as that. And if you have the bigger customers, as more of your, more of your volume, the price increases won't occur as fast as, as if it was all small customers. It's an efficiency issue, is how do you get to these small guys that will pay more versus the big guys that can bring more volume in and help you lower your material costs?

Steve Girsky

Yes. And just to amplify that one last time, I think in the past there have been some passing on larger accounts because the profitability wasn't actually where we wanted it to be. And the issue is if you pass too much, then you're left not with the scale, which is what we need to get this flywheel going. Hopefully that's clear.

Mike Shlisky

Sure. Yes. I appreciate all that color. I also wanted to ask about some of your comments, Steve, around expanding a little further into New York. Can you give us a sense as to what you believe the current scale, the interest is within New York, and how would the hydrogen buildout look within New York.

Steve Girsky

So what's interesting about that deal was, again, this is about experience, right? Getting on the field and learning. And one of the things we've learned from our modular fueler is we could put these anywhere, and in fact, anyone can put them anywhere. So that deal is we sold the trucks. There's another hydrogen provider nearby that's going to provide the fuel. The customer went to that hydrogen provider and did that. We can go anywhere now, anywhere where it's economically viable for the customer and New York has, New York, Port of New York has some incentives. You're going to see a lot of incentives. You're already seeing it. The EPA was mentioned earlier about a Clean Ports program. So you're going to see a lot of money towards these ports and we can start mobile fuels in a lot of these different ports or somebody else can. They have the capital and that will sort of move the volume outside of California and Canada.

Don't, to be clear, the incentives in California and Canada are the best in the country right now, but other states have this FOMO going on where they want to get in the game and they're starting to offer incentives of their own. And the ports is a very logical place for us to start. So you'll see more of that.

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Thomas Okray

Yes. Just to maybe amplify that a little bit more again as a new person coming in, I think we were so overly focused with California. We were leaving out a big part of the total addressable market. And now as we're working with partnerships and the ability to move fuel elsewhere, we have an opportunity again to get this order book larger, which is the foundational part of the flywheel.

Mike Shlisky

Okay.

Steve Girsky

So we said New York, by the way, we said New York, it could be Newark. It's called a tri-state area.

Mike Shlisky

Sure. Yes. They often work in tandem and there's some great infrastructure already in Connecticut, I'm told. Maybe I can ask one, just one last one about the various hydrogen, kind of the temporary modular stations you've got around California and elsewhere. Can you give us a sense as to eventually if you've got this scale, what would the cost of a more permanent station be? And do you intend to have partners still for at least some of those stations? And kind of the timing of kind of when a temporary or kind of modular solution might turn into a full-scale building.

Steve Girsky

So I'll start. So each modular fueler can do 20, 30 trucks. You put two of them in. You could do 40 to 60 trucks a day. And then the station, like call it First Element in Northern California, there's some others, they could do 100 to 200 trucks. So we want to build, the strategy is build density and either make the show the partner or the financier that the economics are viable here and then go in with the whole station. The station costs, farmers net depending upon incentives and things like that could be 3x, something that, and it would be more efficient. So we want to get to the station, but again, to get partners, to convince partners that this is financially viable, we need density and the modular fuelers are a very cost efficient way to get us density.

Mike Shlisky

Okay, sure, certainly. Thanks for the answers guys. I appreciate it. I'll pass it along.

Steve Girsky

Thanks Mike.

Operator

Our next question is from Greg Lewis with BTIG. Please proceed.

Greg Lewis

Yes, thank you and good morning. Thanks for taking my question. Hey, Steve. The first one was around about uptake with IMC. Obviously, they've had some vehicles for a little while now. Is there any way to kind of see what they, how those utilization or uptime on those vehicles has been trending over the last few months?

Steve Girsky

We can get back to you with that. Not their vehicles in particular. We can get back to you in general what uptime has been.

Greg Lewis

Great.

Steve Girsky

Let us get back to you on that.

Greg Lewis

Okay.

Steve Girsky

We have that for the fleet in general. I don't want to speak to specific fleets because it's sensitive, but we could, so we'll get back to you with that.

Greg Lewis

Okay. And then as I think about the hydrogen, the network built out, I mean obviously we have the location in California and Canada. Is that something where you're able to share kind of the hydrogen volumes moving through those fueling stations and kind of that trend?

Steve Girsky

I don't think we're sharing that information right now. I'm not, it's competitive. It's mostly internal. I mean you could see if someone wants to camp outside Ontario, they could see what's going on out there, how many trucks are rolling through and things like that, but we're not sharing that in general.

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Unidentified Company Representative

And Greg, as a first mover, you are partnering with other partners in terms of suppliers. So we're testing and validating the fuelers. And so as we're gathering data, we are, we'll be more comfortable sharing what the utilization will be there.

Greg Lewis

Okay. And then just, I'll just ask another then. As I think about the repurchases of the beds that were announced during the quarter, is there any way to kind of view that in terms of, was that just transitory, i.e., we had to buy these back from the dealers, but we expect those to be deployed, or were there some other types of, is there other competition that drove that, just kind of curious on your views around that, and if there's a potential for that to reverse, maybe over the next 12, 18 months?

Steve Girsky

Yes, I'll take that, Greg. Anytime you're building out a dealer network to sell a new technology product, you're going to have pruning and optimization of that network. And it was nothing more than that as it relates to this specific dealer, and we repurchased the 15 vehicles. We also use that as an opportunity to build a reserve based on experience for future returns. But we intend to resell those 15 vehicles, and it'll go back out into the network.

Unfortunately, it muddies up the top line, which tried to explain. I mean, we actually beat our top line guidance at 15 million for the fuel cell trucks. We were at 381,000 average sales price versus 351 in the prior quarter. So really a good news story making traction, but it was muddied up with the bad returns.

Greg Lewis

Yes, absolutely. Thanks for taking my questions.

Steve Girsky

Thank you, Greg.

Operator

Our next question is from Winnie Dong with Deutsche Bank. Please proceed.

Winnie Dong

Hi, thanks so much for taking the questions. So I understand the points of scale to profitability, as you mentioned, the prepared remarks, but I'm just wondering how we should maybe think about gross margins for this year. And I think you have this ability to wholesaling $350 for the year. So how should we think about this year's gross margin versus I think the previous [Indiscernible] negative 80 to negative 100 for the year? Is that still the right part or how should we think about that?

Steve Girsky

Yes, thanks for the question. I mean, we intentionally stayed silent on the fiscal year guidance because, trying to work with our supplier partners without the scale to get them to optimize costs as well as other costs of revenues like warranty experience, it's just really hard to pinpoint what that number is going to be because there's just too many moving parts. So come back to how you can measure us is looking for the sustainable order block.

Now, talking about what I think it looks like going forward, and certainly at some point we'll come out with more detail, but I see 2025 building significantly more scale than the 300 units to 350 units that we're guiding in 2024. And then I see 2026, even more volume after that. And so at that point in time, then you can really start to see positive cash generation, positive gross margin, but hopefully it's understandable to go to our supplier partners with a new technology with such small volumes and add some to lower their cost. That's just not practical.

Winnie Dong

Got it, that's very helpful, thank you. And then maybe a question on the battery [ph] supply, understand that you're repurchasing some of the units right now, but you also indicated that your ability to sell on-hand inventory will be dependent on future battery supply. So I was wondering if they can elaborate on what that means, particularly on the battery supply point, thank you.

Steve Girsky

Battery supply is still tight-winning. We're doing what we can, we want to support both launches basically, and we deal with that internally. So we try and get as much fuel cell trucks out there as we can, but we also have, we're going to be, we're going to put it this way. We're going to be battling that all year, which is why we push this out into next year when we could put our own trucks back in the market. If things change, they change and we'll update you as they change and we'll see where they go, but it's really a supply constraint issue on batteries right now.

Thomas Okray

And Winnie, that really speaks to the difficulty in giving firm guidance on specific metrics going forward, because one of the things we really want to do with this call is reset it to really make sure that when we say something, we're going to do it.

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But hopefully, you can appreciate all the moving parts. Starting up a new dealer network with a new technology, getting suppliers on board and ramping up, managing a recall, trying to get the allocation between BEV and fuel cell, working with the government entities to make sure we've got efficient disbursement of voucher money and are in line appropriately for other government funding. There's just a lot of moving parts right now, which makes it very challenging to call the ball and pinpoint some of the future guidance items.

Steve Girsky

Yes, it's a real Rubik's cube is what we're trying to solve here, right. And on one hand, we're trying to get these beds back. On the other hand, we're building an ecosystem around hydrogen. We had more trucks in the quarter. We had new customers, we had repeat customers. We had new regions. This ecosystem is developing, and as it develops, we get more interest. And the flywheel that Tom talked about earlier is keeps moving and it starts to move faster.

But one thing that's clear has not changed is we are so committed to the zero emissions mission and firmly believe that the hydrogen vehicle is key for long haul trucking. I mean, we can't be serious as a nation to say that we want to have zero emissions and not do something with long haul trucking. And we're first out there. We're pioneers here. There's a lot of moving parts, but we're going to build that order book, get the flywheel going, and then watch people jump on.

Winnie Dong

That's very helpful. Thank you very much.

Operator

Our next question is from Jeff Kaufman with Vertical Research Partners. Please proceed.

Jeffrey Kauffman

Thank you very much. Hey, and congratulations, and welcome to Tom as well.

Thomas Okray

Hey, Jeff. Thank you.

Jeffrey Kauffman

Fair amount of my questions have been answered, so I just want to hone in on what I would consider to be kind of transitory items. So things like we had to go back and repurchase trucks, or we had to write down $20 million of inventory and things like that. If I look at the first quarter and I sum up all those kind of unusual costs, how much of that is unique the first quarter, how much of this is going to drag on the second? So what I mean is, you sold 40 trucks at $380,000 should have been 15 million in revenue. You reported seven because you had to repurchase some back.

And then there were some other costs that I'm assuming were buried in cost of goods sold. Regarding inventory and things like that. Can you help me understand what was more unique to first quarter versus things that are going to continue forward?

Steve Girsky

Yes, that's a great question. And there is a lot of unique things. I wouldn't say it's so much first quarter. I would say it's, again, to repeat, until we build the scale. I mean, one of the things that you didn't talk about was warranty. We're working with our supplier partners to get the experience out there so we can do an appropriate warranty accrual. Right now, our warranty number is way outsized and there's no way it's going to be like that going forward.

But we just don't have enough miles and enough trucks out there to be able to reduce it credibly. So that's one thing. The net realizable value where we write down inventory, that's another thing that is not going to continue. Obviously, that's a point in time. The returning, the BEV vehicles, which hits is another one. We also had an FFI transaction in there which hit SG&A, which is in total about 18.3 million, to be exact.

So you're absolutely right, and thank you for bringing it up. There's a lot of stuff out there that, we haven't called out as one-time items, but we don't expect them to continue once we get the flywheel going.

Jeffrey Kauffman

Okay. And then, I see that you have increased the fueling station location outlook, but no real increase in volume for this year. So, just kind of, I understand this is flywheel related, but help me understand, if we're increasing the locations that are available, shouldn't we be seeing a similar increase potentially in units wholesale?

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Steve Girsky

Yes, so I'll take that. Remember, we're juggling three balls, right? We've got customers, we've got trucks, and we've got fuel. And at any one time, one of those balls is ahead and one of those balls is behind, well, fuel has been behind. And we're trying to move fuel from instead of being a quarter or two behind, to being a quarter or two ahead. Not too far ahead, because we don't want stranded capital out there, but we need it to be ahead. So, we are dropping more fueling locations in place. This is based on feedback from our sales team and from customers. And then, you'll see the sales follow up as we get trucks, by the way. So, we're managing supply constraints, we're managing fuel constraints, and that's limiting our customer growth. And as Tom mentioned earlier, we're doing everything we can to remove these constraints. So, that's why we're trying to get ahead.

Thomas Okray

And I mean, just to throw on and amplify a little more, going to these big national accounts, you've got to have the fuel in place, or else that discussion doesn't go as smoothly as you would want to.

Jeffrey Kauffman

No, that makes sense. Thank you. And then one last question. So, as we focus a little more on national accounts, as you mentioned, there are a lot of incentives out there for customers, particularly in California ports. And you've got some FOMOs, so you're seeing better incentives in other states. Is the headline ASP really as big an issue with all these incentives, or would it be for national and fleets? The ASP initiates the conversation, and then we'll figure out the incentives down the road.

Thomas Okray

I mean, it's case by case. Some of the national accounts are very committed to ESG and want to have a certain percentage of their fleets, which are zero emissions. There's other accounts that want to participate in the voucher program. And there we're working with the regulatory bodies in California to make sure we can get those vouchers processed efficiently and quickly, so we can get the vouchers back and restored. In some of them, it's a penny game where they're going against price of diesel, and then we need to make a decision internally what we're going to do for the initial deal. And it really varies customer by customer.

Steve Girsky

Yes. Jeff, this is really about getting on the field. And we've talked about that FFO in the fourth quarter, in the first quarter, and that's what these bigger accounts are now coming to us. They want to get on the field. They have the ability to buy lots of trucks, but let's get on the field with a few smaller order and see how they work and see what use cases work best for this. And that's what you're going to see going forward.

Thomas Okray

Yes. And we're confident once we get the big national accounts, there will be the, I don't know what Steve called the fear of missing out with the not as big national accounts, who see the bigger ones doing this and want to get in on the game. And that's all part of the flywheel. And we're not going to ignore the smaller accounts, which we've been focusing on to date more. We're going to continue to serve those as well.

Jeffrey Kauffman

Okay. So I guess from 10,000 feet, you're becoming much more relevant. The bigger fleet discussions are starting to happen. And if there's kind of trimming inventory here, adjusting there, or trimming, trimming's the wrong word, adjusting price to activate that flywheel. This is just part of the evolution, I guess, is the message.

Steve Girsky

Yes. And I would say it's not just the fleets that there's interest in discussions. It's other players throughout the ecosystem. There are other players who want this ecosystem to work that are interested in this. And those people are calling as well as we validate it.

Thomas Okray

Yes. We can sit back and pop out our chucks and be very tough on ASP and not have any volume. And then the suppliers can't work with us credibly because we can't give them the volume they need. That's a road to nowhere. We need volume. We need to have Nikola trucks running around the road, delivering freight. And once that starts to happen in great numbers, then great things will happen.

Jeffrey Kauffman

Okay. Thank you for your answers and congratulations.

Thomas Okray

Thank you.

Operator

Our next question is from Jeff Osborne with TD Cowen. Please proceed.

Steve Girsky

Hi, Jeff.

Jeffery Osborne

Good morning, Steve. Morning. A couple quick ones on my side. Can you remind me what the CapEx is for a mobile refuel? Just the five additional that you've got going on here in that two to three.

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Steve Girsky

In that 2 to 3?

Jeffery Osborne

In that zip code.

Steve Girsky

Okay. So should I think your prior CapEx guidance was 60 to 70? Should we bump that up by about 10 million? I just didn't see the updated guidance for the year.

Jeffery Osborne

And I know some of these are, some of these are financed, so I mean, there could be an offset. Some of these, by the way, are other people are buying. So I don't know what you guys.

Thomas Okray

Yes, we left it unchanged at 60 to 70, as you said, Jeff, and leave it at that for the time being. We are, as Steve said, we're going through the details right now and we can have more to say on that in next quarter's call, but it shouldn't be a hugely different number. We had 20 for guidance and we came in at 16 and a half in this quarter. So it's not going to be a huge difference. And Jeff, as we learn, just for context, as we learn more, some of these big customers may want their own fueler. They may want it on their site. They may want to. So there's a lot of ways to skin this cat. They may want their own hydrogen. They may want our hydrogen and their fueler. So there's a lot of ways to skin this cat.

Jeffery Osborne

Got it. And then just following up on the other Jeff's question, the sort of one ish time items, just to be crystal clear, do you anticipate BEV repurchases in the second quarter at all? Just as we model top line trends, because the guidance only assumes the fuel cell portion. But I'm just curious, are there other dealers beyond the one that you repurchase 15 trucks from that have indicated that either you will or may potentially buy back?

Steve Girsky

No, we don't have any knowledge of that now. And not to go into an accounting lesson, though, I mean, we reserve based on experience. So we have a number reserved which is greater than we have had returned already. So if there were to be additional returns, we've got additional reserve for that.

Jeffery Osborne

Got it. Then just two other very quick ones. Your prior two predecessor CFO's that talked about not using the flywheel term, but volume to reach gross margin and EBITDA outbreak. Even as you've studied the numbers for the past two months, Tom, and looked at that flywheel, is there a way you could update us on that with this new initiative as it relates to national accounts and potential changing in pricing?

Thomas Okray

Yes, I think it goes back to the three characteristics, which I view them as different than the past, a much more focused on national accounts and within those national accounts, being much more forgiving for the initial deal, wanting them to get in the product, delight them, and then having a further discussion after that.

And then the third one is the geography. We're still going to be focused on California and Canada, but we're going to expand our geography, so we've got a bigger total addressable market. So working backwards, total addressable market. A more attractive first deal to get in these big customers to get the flywheel going. I think all three of those are different than has been done in the past. And the way to grade us is to watch the order book.

Jeffery Osborne

So I get the strategy, but just in terms of the numbers, I think in the past there was like, x thousands of vehicles to be positive at both the gross margin and EBITDA level. That's not a number you're willing to update. Just to be clear.

Thomas Okray

Yes, it's not a number. Two months in that I'm ready to give. Because again, to have that discussion with our supplier partners, which are such a big part of our P&L, it wouldn't be prudent to throw out a number right now. So, let's build that order book. Let's have those conversations with the suppliers. Once we've built that order book. No better what the warranty experience is going to be, then we can give a more thoughtful number that we can commit to and achieve or be.

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Jeffery Osborne

Got it. The last one I had for you, Steve, is just at the time of the spec, there was a discussion of Anheuser-Busch buying, I think, 800 trucks. Is that a customer that potentially may resurface, or is that ship sale?

Steve Girsky

So I don't want to, Jeff, I don't want to speak to any large customers. We're demoing with a lot of large customers. Biagi hauls hands for Anheuser-Busch. So this is one of their, um, one of their 40 distributors, right?

Anheuser-Busch, I don't think, owns any trucks, but their distributors do. So that's the way we're working that one. Everything is on the table everywhere, so, but we don't have specifics with any one customer. And frankly, even the ones we demo with make a signed NDA, so we don't announce, they may announce they're demoing with us, but we don't announce we're demoing, so.

Thomas Okray

But just for perspective, when we talk national accounts, we've said over 1,000 trucks. There's approximately 250 of those fleets that have over 1,000 trucks, and some of them many, many more than 1,000. So it's a meaningful number of customers to go after and delight.

Jeffery Osborne

Thanks, that's all I have. Appreciate the response.

Thomas Okray

Thank you.

Operator

Our next question is from Scott Group with Wolfe Research. Please proceed.

Scott Group

Hey, thanks. Sorry about that earlier. So I just want to understand, last quarter you gave guidance on units and revenue and now just units. Is this a permanent sort of change in how you want to start guiding, or is it just we're changing some strategy a little bit and we'll get back to revenue guidance at some point?

Thomas Okray

Yes, I mean, we'll, first of all, thanks for the question. I'm glad we could get you back in the queue. No, this is not a permanent shift. This is me coming in and been here two months, and myself and Steve, we want to give a number that we can really commit to. And I didn't feel comfortable committing to a number at this point in time until we have worked through the flywheel, until we have worked through the national accounts, until we had discussions with our supplier partners. But definitely going forward, what you can see on the horizon is we will have an investor day where we put out short-term and long-term targets, and then we will measure ourselves to that quarter-after-quarter. We're still in the innovation stage here. We're still in the starting stage here. We've been producing and selling trucks for two quarters now, and we're still working out the kinks with the suppliers. I don't want to repeat, but we've only had fuel cell production for a little while. But this is not a permanent change to be evasive on guidance. This is just, working through it so we can give a number that everybody can count on and we can be held accountable to.

Scott Group

That makes sense. And just in the near term, any color on just how to think about, like, price per unit in Q2?

Thomas Okray

Yes, at this point it depends, again, on the order book and what's the mix between the bigger fleet customers and the smaller fleet customers and then the much smaller fleets. All of those will have a different pricing and a different economic profile. And again, I could throw out a number and it would probably be wrong. Please don't take from these comments that we're being irresponsible, though. If you look at Q1, again, 381,000 for the fuel cell ASP versus 351 in Q4. So we grew that. What is that, 9% [ph]? We're still focusing on price. We're still focusing on the economics of the deal. We're just not going to walk away from a great deal with a great customer because, we're being too stingy on price.

Scott Group

No, I get that. I just would have thought... Sorry, go ahead, Steve.

Steve Girsky

Even the big customers, they're tough on price, but they also know they don't want to put us out of business either. They want us to be there. So they're managing on their side as well.

Scott Group

I didn't realize that if you get some big order for national, it's going to impact Q2 deliveries and price per unit in Q2 right away.

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Thomas Okray

We don't know. It's hard to know when these things come in. As these things come in, when they come in, California HVIP is starting to pay more, so that's going to churn more. Again, there's a lot of moving pieces here. The good news is we're selling more trucks. We're validating the ecosystem and there's more interest from lots of people.

Scott Group

And when you talk about national accounts, are you talking for higher companies, private fleets, do we have how much, how much of the order book now is with national.

Thomas Okray

I don't. As an IMC is they have 2000 trucks in their fleet all over the country. Sometimes you land in one part of the country and it helps you in another part of the country. Hard to know what the order book, I don't want to…

Steve Girsky

To be clear. I mean we've done 35 and 40, so the order book is not that big right now. I mean in [Indiscernible] order of magnitude, we're talking, we're talking hundreds of vehicles a month, not the numbers that we're producing right now in the quarter.

Thomas Okray

And I'm just thinking about if you looked at the vouchers, I don't think we've ever dissected any voucher customers by, I have 1000 trucks or I have less. I mean most of them are in California so there's a bias towards smaller fleets in there, but there's still some big customers in there.

Scott Group

Okay.

Steve Girsky

And to maybe give just a little bit of confidence in this and one of the reasons I'm, here, I mean, to think about what must be true for this not to happen, you'd have to believe that zero emissions isn't going to happen and you'd have to believe that as a country we're not going to clean up, long haul trucking and after all of the talk and all of the legislation and everything where we're moving toward that just doesn't seem, that just doesn't seem practical. And it's going to happen. We just need to, again, to repeat, get the flywheel going and get some of these big accounts there.

Scott Group

Thanks for the time, guys. Appreciate it.

Steve Girsky

Thank you.

Operator

I would now like to turn the call back over to Zoe for the investor questions.

Unidentified Company Representative

Thank you, operator. We received questions from retail investors through the SAE [ph] platform, most of which can be summed up into three topics. The reverse split proposal, subsequent potential for dilution, and finally our path to growth and profitability. First question, what is the rationale for the proposed reverse split? Why is it necessary and why now?

Thomas Okray

I'll take that one. The Nikola team has worked hard to reset the operational focus of the company since 2023. We are proud to have the first two quarters of fuel cell serial production under our belt. And as Steve mentioned, this is just the beginning. Now it's time to reset our financial foundation so that Nikola has the characteristics of a company that is ready to climb. Therefore, three reasons for the reverse split.

First, there's a need to address the potential of delisting. If Nikola stock trades below a dollar for a certain period, we can be delisted from NASDAQ, which has severe consequences for a company like ours, such as limiting our ability to access markets that raise capital. The reverse split should allow the stock to trade above $1, thereby reducing the risk of delisting.

Second, it broadens the pool of investors that may be interested in investing in Nicola by attracting new investors who are prohibited from, or prefer not to invest in shares that trade at lower share prices.

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Third, the reverse split makes available additional shares needed for future capital raises and potential partnerships so that we can be a company poised to climb. Of course, we are mindful of dilution and will only use the additional shares as necessary. In short, we need flexibility in choices, and the reverse split is the best, most efficient option to get us there.

Unidentified Company Representative

Second question why is the strategy being referred to as a reduction in authorized shares when it effectively increases the potential dilution for current shareholders?

Thomas Okray

It's important for a growing company like Nikola to have access to capital. Therefore, having the flexibility to best position Nicola to raise capital efficiently and effectively is of critical importance. If not for reverse split, we would have had to request shareholder approval for authorization of additional shares to support the business. We analyzed both options, the reverse split or authorizing more shares, and the impact on shareholders in depth. We concluded that the reverse split provided the most financial flexibility we needed, discussed in the prior question, to achieve our objectives.

Unidentified Company Representative

The final question, what is Nicola's roadmap to profitability? Can you talk about the potential for partnerships and large accounts?

Thomas Okray

Sure, I'll take that one, Steve. It gets at the heart of our message today. We need to build scale. Without scale, profitability will be below our expectations. Simply put, it's not practical to optimize our cost structure without a meaningful level of volume. We are putting a greater focus on national accounts. In order to do this, we will be deal-driven and less sensitive to ASP in the short term to build confidence with our end fleet users.

Finally, while our main focus remains California and Canada, we are expanding our geographical footprint beyond California and Canada, thereby increasing the addressable market. Working towards zero emissions and building out the hydrogen ecosystem should benefit all. We look to develop and leverage partnerships wherever we can build volume and hydrogen infrastructure across North America.

Unidentified Company Representative

Thank you, Steve and Tom. We appreciate you all taking the time to join us today. On behalf of all Nicola employees, we thank you.

Operator

Thank you. This will conclude today's conference. You may disconnect your lines at this time. Thank you for your participation.

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