

# **Nikola Corporation (NKLA) Q2 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

August 9, 2024 Friday

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**Length:** 7643 words

**Byline:** SA Transcripts

**Body**

Nikola Corporation (NKLA)

Q2 2024 Earnings Conference Call

August 9, 2024, 10:30 AM ET

Company Participants

Soei Shin - Head of Investor Relations

Steve Girsky - President and CEO

Tom Okray - CFO

Conference Call Participants

Mike Shlisky - D. A. Davidson

Greg Lewis - BTIG

Jeff Kaufman - Vertical Research Partners

Ben Kallo - Baird

Presentation

Operator

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

[Audio Video Presentation]

Soei Shin

I'd like to welcome those listening by phone and those on the webcast to Nikola Corporation's second quarter 2024 earnings and business update call. Joining me today are Steve Girsky, President and 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. The 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 Q2 earnings press release we issued today.

Today's discussion also includes forward-looking statements about our future results, expectations, and plans. Actual results may differ materially from those stated, and some factors that cause actual results to differ are also explained at the end of today's earnings press release on Page 2 of our earnings call deck and in our filings with the SEC. Forward-looking statements speak only as of the date on which they are made. You are cautioned not to put undue reliance on forward-looking statements.

After Steve and Tom's prepared remarks, we'll take questions from our stockholders and then conclude with questions from analysts.

Steve Girsky

Thanks, Zoey, and good morning, everyone. Welcome to our second quarter 2024 earnings and business update call.

Last quarter, I talked about executing plays, competing, and cultivating green shoots. Today, I want to talk about how Nikola is starting to bring together a purpose-driven coalition to build the hydrogen ecosystem. Like-minded partners include our dealers, fleet customers, suppliers, and strategic partners such as automotive OEMs, hydrogen producers, and big energy who have vested interests in the hydrogen economy and want to see it succeed as much as we do. There is a need and urgency to accelerate our efforts.

In the last three quarters of serial production, we have demonstrated that Nikola is the offtake. We are the catalyst to disrupt Class 8 trucking to make zero-emission a reality. Programmed-to-date, Nikola fuel cell, electric trucks, and battery electric trucks have accumulated over 3 million road and test miles, avoiding 4,700 metric tons of CO2 emissions, which is like taking 1,100 gasoline-powered cars off the road for one year.

We are the only OEM with Class 8 FCEVs commercially available in North America today. Our trucks are put to the test every day by end fleet users hauling freight and delivering to their customers. Q2 is an example of how we're approaching the intersection of mission and reality and how Nikola is out front charting the course.

First, we're doing what we said we would do. At the end of Q2, we announced we had wholesaled 72 hydrogen fuel cell electric trucks, which exceeded the high end of the guidance range of 50 to 60 trucks by 20%. Q2 wholesale deliveries were up 80% from Q1 and comprised of several repeat customers, which is a testament to the performance of our trucks and customer satisfaction.

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We're delivering HYLA fueling solutions to support volume ramp up. Since the Q1 call, we opened a HYLA-branded station in Toronto, Canada and completed commissioning a modular station in Santa Fe Springs in Southern California. One of the resounding benefits of our modular refueling strategy is our ability to quickly pivot to meet the demands of end fleets.

As such, we added another modular fueler at our existing station in Ontario, California to double capacity. Likewise, we provided access for Nikola end fleets to fuel at Shell's heavy duty station in Ontario, California, where density has been clearly growing.

Second, we are demonstrating national account interest. Last quarter, we talked about the importance of expanding our reach to meet the demands of end fleets virtually anywhere in North America. Walmart Canada is the first major retailer in Canada to introduce a hydrogen fuel cell electric semi-truck to its fleet.

We also received repeat orders from two national accounts. Nikola's profitability flywheel is beginning to gain momentum with these national accounts as each end fleet grows its zero emission presence to achieve decarbonization goals.

Third, we are creating and monetizing alternative revenue and profit streams. Nikola realized its initial sale of CARB regulatory credits from the sale of NOx and PM credits. As volume ramps up and new CARB regulations go into effect, these new revenue streams will grow.

Fourth, Nikola is in a unique position to attract prospective partners. Again, Nikola FCEVs are the only Class 8 hydrogen fuel cell trucks commercially available in North America today. The market acceptance of our FCEVs bears out with every zero emission mile driven. Therefore, not only are we getting more calls from fleets interested in deploying fuel cell trucks, but also from strategic partners like automotive OEMs, suppliers, hydrogen producers, and big energy who recognize our key role as a first mover in the hydrogen economy.

Now let's get to the business update. We are executing our plan. We said we'd wholesale 50 to 60 fuel cell trucks in Q2, and we delivered 72 trucks to our dealer network, beating guidance by 20%. This marks the third consecutive quarter where we either met or beat volume guidance. We said we were focused on national accounts to scale, and we signed our first deal with Walmart Canada and received repeat orders from two other national accounts.

Walmart Canada is the first major retailer in North America to introduce a Nikola Class 8 fuel cell electric vehicle to its fleet. This collaboration aligns perfectly with our mission to drive innovation and environmental responsibility in the transportation industry.

Repeat Fleet Customer IMC, the largest marine drayage company in the U.S., ordered another 10 fuel cell trucks from our dealer network in Q2. Year-to-date, this marks a total of 30 Nikola fuel cell trucks in its fleet. IMC has a goal to replace all diesel tractors by 2028.

An existing carrier and one of the largest intermodal fleets in North America placed a double-digit order with our dealer network in Q2. They too have stated decarbonization goals to be achieved in the next decade.

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On Chart 6, we demonstrate how we're meeting the use case of end fleets with data-driven quality and performance. To date, 12 in-service end fleets have accumulated over 550,000 miles, validating our average fuel economy benchmark of 7.2 miles per kilogram. It's important to note that fuel economy varies with driver usage, freight routes, and payloads. Some drayage fleet users, for example, achieve fuel economy greater than 8 miles a kilogram, while other fleet users that travel longer distances with heavier payloads achieve fuel economy slightly lower than the benchmark.

If you're a beverage hauler, the heavier payload per range of the fuel cell vehicle makes it the right truck for you. Early field data tells us that the average trip distance between refueling is 260 miles or twice as far as the BEV 2.0 between charges. If your distribution routes are near either Ontario or Long Beach, one fill may be enough for your entire route.

We've also observed that over 40 end fleet users have traveled 400 plus miles between refueling. In fact, this longer distance, which is like driving from the Port of Oakland to the Port of Los Angeles or Long Beach, has been completed roughly 130 times since we've been tracking data. It's all about the use case and how our trucks are meeting unique demands of end fleets. The increased payload capacity per mile with significantly reduced refueling time compared to the BEV ultimately means increased truck uptime for end fleet users.

As we deploy more HYLA refueling stations, we expect the in-service range to increase. Likewise, if you're a first mile logistics operator, the BEV 2.0 may be the right truck for you. Early field data collected so far tells us that the average trip distance between charging is 130 miles. If you're running loads from the port to the warehouse and charging is available at the depot, then the BEV 2.0 will fit your needs. Again, we're on the field collecting data and learning how our trucks are being deployed. We're here to help our end fleets optimize their trucks so they perform the way they are built to.

Lastly, we often get questions about comparing our fuel cell electric vehicle to a traditional diesel truck. On a converted basis, our FCEVs outperform the average Class 8 truck on fuel economy and avoidance of tailpipe emissions. We estimate the average miles per gallon diesel equivalent of our FCEV is 8 or 23% better than the Class 8 fuel economy average of 6.5 miles per diesel gallon equivalent per the DOE.

Moreover, in-service FCEVs have consumed over 77 metric tons of hydrogen dispensed at various Nikola fueling solutions. In total, we estimate our FCEV end fleet operations have avoided approximately 867 metric tons of CO2 tailpipe emissions. With our end fleet partners, Nikola is decarbonizing Class 8 trucking now.

Moving to Chart 7, we're also executing on the HYLA front, our energy supply and infrastructure solutions brand. As a strategy, we're launching stations and deploying assets where we anticipate demand. It is our objective to stay ahead of the FCEV deployment so that fueling solutions are ready and available for end fleets.

To that end, since Q1 earnings call, we opened a HYLA-branded station in Toronto, Canada, and completed commissioning a modular station in Santa Fe Springs in Southern California. Toronto helps open Nikola fleet users to the Eastern Canadian market where population density and busy freight corridors such as highways 401, 427 and the QEW make it a natural fit for FCEVs.

It is also the headquarters of ITD, our full-service Canadian dealer network, which is well-equipped to provide skilled service and maintenance to end fleets such as Walmart Canada. Santa Fe Springs helps support the growing density and hydrogen demand in Southern California. This is the second fueling station on a dealer site, which shows strong collaboration between Nikola and our dealers. Santa Fe Springs is also the midpoint between Ontario and the Port of LA, along the busy 605 freight corridor. This newest HYLA station is scheduled to be open for business operations on August 12, 2024.

We added another modular fueler at our HYLA Ontario station doubling capacity, which effectively adds another station in that area. We recently had a record day at Ontario with 28 FCEVs refueled and more than 850 kilograms of hydrogen dispensed in one day. Again, our modular strategy allows us to stay nimble and pivot to support the demands of our end fleets.

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Lastly, through our work with Shell, our fleet customers have been able to fuel at Shell's heavy-duty station in Ontario, California. Ontario and the surrounding area near the Port of Los Angeles and the Port of Long Beach have proven to be critical refueling areas that are amassing density quickly. Our FY'24 HYLA guidance remains unchanged. We remain on track to provide 14 fueling solutions in North America by year-end.

Now that we've passed the midway point of our HYLA hydrogen highway plant, and we've been operational, on Chart 9 we wanted to provide some data on our ramp-up. At our Coolidge facility, since we began tracking fueling data on February 1, we have completed over 1,300 fueling events and dispensed over 40 metric tons of hydrogen through July month-end. Coolidge is where we perform first fills for trucks that come off the manufacturing line and refuel trucks that are part of our testing and demo fleets. We also fuel fleets that have routes into Southern California and return to Coolidge.

At our Ontario station, where HYLA began fueling events on December 14, 2023, we have completed over 1,100 fueling events and dispensed over 45 metric tons of hydrogen. Another important metric is the volume dispensed per fill. On average, each fill was 41 kilograms, which means that our customers are driving routes out of Ontario that are roughly 300 miles.

Our Long Beach station, which just launched in early May, shows strong ramp-up data, having just over 700 fills in three months. Long Beach has dispensed 27 metric tons of hydrogen so far, with an average fill of 38 kilograms. The key message here is that Nikola FCEVs are on the road and refueling with consistent frequency and significant volume at HYLA fueling solutions. Nikola is the offtake and the catalyst for the hydrogen economy in North America.

Moving on to regulatory tailwinds on Chart 10. We continue to maintain our dominant share of HVIP vouchers in California. At quarter end, we had 99% share of the fuel cell vouchers and 23% share of the battery vouchers. We added a net of 11 fuel cell vouchers despite double-digit redemptions, demonstrating continued strong demand in California. Next, we're creating alternative revenue and profit streams from the sale of regulatory credits. We recognized the first sale of NOx and PM credits in Q2.

EPA Clean Ports is another bright spot in green policies. Nikola has been named in 8 Clean Port Project applications across the U.S. for joint funding. Strategic ports include western, eastern, and gulf regions. Together with fleet partners, Nikola is to provide FCEVs and BEVs as eligible zero-emission vehicle port equipment and or HYLA fueling as eligible clean energy infrastructure. Project selections are expected to be announced by the EPA in September.

Lastly, and perhaps the strongest tailwind of all, is at ARCHES. The California-based Western Regional Hydrogen Hub is the first of seven regional hubs to officially sign an agreement with the Department of Energy. A total of $12.6 billion will be available to support projects and to build and expand clean hydrogen infrastructure in California. $1.2 billion will be funded from the DoE and the rest from public and private matching funds. We are excited to hear that $30 million, the first tranche of funding, will be deployed shortly as it's a positive and encouraging sign that the hydrogen economy is growing.

Nikola is well-poised to partner with ARCHES and the DoE for hydrogen station deployment and is named as a network partner. Our HYLA mobile refueling stations offer compelling evidence that heavy-duty offtake is significant and growing. To give you an example of the size of the offtake that exists with Nikola trucks now, consider that the average fuel consumption for a typical fuel cell passenger car in the U.S. is 0.6 kilograms per day based on annual mileage.

Our trucks fuel on average 35 kilograms per fill. One Nikola truck is close to 60 fuel cell passenger cars. There are over 18,000 fuel cell passenger cars in the U.S. and growing. That's equivalent to 300 Nikola fuel cell electric vehicles. By the end of 2024, we will have doubled the hydrogen offtake for transportation in the market with just our in-service trucks alone. In short, we provide density and scale for the hydrogen ecosystem.

Before handing it over to Tom, I want to circle back to the purpose-driven coalition. Building a zero-emission ecosystem piece by piece takes enormous time and resources. We cannot do it alone. We've been walking the talk with our Class 8 zero-emission trucks and hydrogen refueling stations. We have 147 fuel cell electric vehicles wholesale through the end of Q2, and roughly 115 metric tons of hydrogen dispensed.

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We're all in, and there's no turning back. Two trucks, one platform, all zero emissions. This is all we do. I, along with our 1,000-plus employees, come to work every day with a singular focus to ensure Nikola not only survives, but thrives. We are attracting prospective partners such as large logo and fleets, big energy, hydrogen producers, and automotive OEMs who recognize the need for a zero-emission world. Seeing is believing. The more fuel cells we deliver, the more like-minded partners want to work with us.

These include national fleet partners who have stated corporate-wide decarbonization goals for the next decade. Demos are ongoing with large logos in the U.S. and Canada. Big energy, or traditional industrial gas companies who recognize the potential for significant hydrogen offtake and the need for fixed stations to accelerate large-scale adoption.

Hydrogen producers who view hydrogen as a growth vector and want to play a critical role in supporting this energy transition. Automotive OEMs who are eager to find synergies across product development, sourcing, and hydrogen infrastructure to not only support the light-duty market, but also penetrate the Class 8 heavy-duty market.

Now I'll pass it to Tom to cover the financial results.

Tom Okray

Thanks, Steve. Moving to Chart 12. We introduced the Nikola profitability flywheel last quarter. We talked about the importance of national accounts to build meaningful volume to scale our operations. Growing a significant and consistent order book enables us to optimize costs both internally and with our external partners. The flywheel is gaining momentum.

As Steve mentioned earlier, we're beginning to demonstrate national interest with initial orders from Walmart Canada and other large fleets. With demos and discussions in process. Many of these orders are important because they are the first order for hydrogen fuel cell trucks for their respective fleets. They are testing the new technology and demonstrating that they are committed to growing with us.

Chart 13 contains our financial highlights. Regarding the top-line, in Q2, we posted the strongest revenue quarter in the history of Nikola. Total revenue was $31.3 million, up 318% from Q1. Revenue growth was impacted by higher wholesale deliveries, service and other, and stronger average sales price. The average sales price improved sequentially by $7,000 per unit to $388,000 from $381,000 in Q1. This is the third consecutive quarter of stronger ASP for our fuel cell trucks.

For the second quarter, we reported a gross loss of $54.7 million compared to a gross loss of $57.6 million in Q1. Stronger revenue driven by increased volume and higher ASP were partially offset by higher costs related to the higher volume.

With respect to cash, our unrestricted cash declined $89.3 million in the quarter. Therefore, we ended the quarter with $256.3 million in unrestricted cash. Larger disbursements to suppliers as we scale volume and an additional payroll period were partially offset by higher receipts due to higher volume and ATM proceeds of $52.2 million.

Moving on to Chart 14, for fiscal year 2024, our fuel cell wholesale delivery guidance remains unchanged at 300 to 350 fuel cell trucks, with Q3 being between 80 and 100 wholesale deliveries. We are continuing to execute our plan in the third quarter of 2024, including ensuring that we have the capital required so that the business can scale and become profitable.

Back to Steve for closing remarks.

Steve Girsky

Thanks, Tom. I recently traveled on a world tour that started in China, then proceeded to Japan, Paris, and ended in London. The hydrogen ecosystem, while nascent in North America, is on solid footing globally. Substantial investments are being made in Asia, Europe, and the Middle East.

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My team and I met with prospective strategic partners and investors who recognized the opportunity at hand and the role Nikola can play in unlocking the hydrogen economy here. The purpose-driven coalition is growing, and Nikola is key to prove to the world that zero emissions and the hydrogen economy is real.

This concludes our prepared remarks. I'll now hand the call back to Zoey for stockholder questions.

Question-and-Answer Session

A - Soei Shin

I'm unable to hear you.

Steve Girsky

Wait, sorry. It was on mute.

Soei Shin

We'll try that again. Thanks, Steve. We received questions from stockholders through the safe platform. First question, what is the strategic plan to increase shareholder returns? What measures are being taken to enhance profitability?

Tom Okray

I'll take that one, Steve. No surprise, execution is key to improving Nikola's profitability and increasing shareholder returns.

Here's what we know is true. The first thing is Nikola is on the road today with customers and stations. Number two, we have numerous proof points with customers, some of which we just covered on the call. In addition to that, we're having ongoing discussions with numerous national accounts and other customers. Number three, Nikola is positioned ahead of competitor OEMs. And number four, we've got a team that is really passionate about developing the hydrogen ecosystem.

The profitability wheel is beginning to gain momentum. Growing this significant and consistent order book, I can't emphasize it enough. It is so important for us to optimize costs both internally and with our external partners. And we're demonstrating this interest with the national accounts as we talked about in the prepared remarks.

We have to keep in mind, though, accepting this new technology takes time and execution. But bottom line, our high-touch sales team and the dealer network are making inroads with the national accounts with more demos and discussions in process and more to come.

Soei Shin

Thanks, Tom. Second question, what is being done to develop the necessary hydrogen infrastructure for the future?

Steve Girsky

Thanks, Zoey. So the build-out of the hydrogen highway is on track. As we said, we expect to provide 14 fueling solutions in North America by year end. Our objective is to deliver a safe, reliable fueling network that enables customers to refuel hydrogen, fuel cell electric trucks whenever they need at convenient locations. And by the way, this is us as well as other players in the ecosystem can fuel there.

As a strategy, we're launching stations and deploying assets where we anticipate demand. So you could see us over the course of the year try out different locations. While most of the fuelers are in California, you could see us try out different locations outside of California and Canada.

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While our immediate focus is on modular sites, we're simultaneously developing permanent stations both independently and through partnerships. In addition to building a network in California, we've got Canada. And as I said before, we're going to try outside of California.

There's one more thing I'd add here. The fueling technology is improving like the truck technology is improving. And being on the front end of this allows us to continue to try new fueling technology, new fuelers. We have three different suppliers now. They're launching Gen 1, Gen 2, Gen 3. And being on the front end allows us to be part of that and be on the front end cutting edge of that stuff as well.

Soei Shin

Thanks, Steve. Last question. How is Nikola attracting bigger logos?

Tom Okray

Well, given all the national accounts, there's many of them. Prioritization is very important. So we consider a number of factors, including but not limited to product fit or use case, geographical overlay with our existing and future hydrogen infrastructure, and the fleet sustainable goals.

Following this prioritization, we engage the national accounts and describe to them how we believe Nikola fits into their strategic priorities and how we can help them achieve their goals. And these discussions include an invitation to our plant in Coolidge and offering a demo. As Steve likes to say, seeing is believing, and our demo list is full of prospects. They include national beverage distributors, grocers, health care, chemical companies, as well as 3PLs, third-party logistics carriers who keep the supply chain in North America running.

We're encouraged and excited to see also that the demos go beyond California. As we've mentioned, the more we get the fuel cells on the truck, the more credibility is gained for hydrogen and the more the like-minded partners come and join us.

Soei Shin

Thank you, Tom. Operator, please open the line for analyst questions.

Operator

Thank you. [Operator Instructions] Your first question comes from the line of Mike Shlisky with D. A. Davidson. Go ahead.

Mike Shlisky

Yes, hello. Good morning. Thanks for taking my questions. Maybe I wanted to start off first asking about the bill of materials and gross profit. Do you have an additional round of reductions to the bill of materials coming? Are you talking with some of your suppliers about ordering in larger quantities and asking for a different -- for better pricing? Is there some kind of larger program here that might start maybe next year or something along those lines?

Tom Okray

Absolutely, Mike, and that's a great question. One of the things that really helps us with our bill of material is our supplier base is really concentrated. What do I mean by that? We've got five suppliers who make up 65% of our bill of material cost, and top 15 make up about 80%. So we're doing exactly what you said. We're working with each of those key suppliers and ensuring that we've got volume thresholds, which give a commensurate reduction into the bill of material.

In addition to that, we're looking at localization activities. Given that we're just getting started in terms of serial production, we don't have all of our suppliers in the right place. In fact, we've got almost 70% that comes out from outside of the United States, so there's opportunity to localize and get more efficient.

The third thing is we're redesigning some parts, making them more efficient, making them more cost effective, things that we're learning as we're putting trucks on the road and we're building the trucks. And then the bigger, longer-term issue is with our next-gen vehicle. We've got a huge opportunity to take even a bigger step down. But, yeah, to get to your specific question, yes, we've got plans in place. Daily discussions ongoing for next year and the year after that, and then with our next-gen vehicle, even a bigger step down as we have a more open bidding process and redesign of the components. Thanks for the question, Mike.

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Steve Girsky

Yeah, Mike, and just to add, just like any new technology, the goal is to get it on the field and then start to learn and then start to optimize. Yeah. And we're on the field now, and now we're moving to the optimization stage.

Tom Okray

Yeah, that's a great point. I mean, you also maybe, saw as -- you will see when you go through the details. We had a warranty reduction in the quarter, and part of that is learning how a given components are performing, redesigning those components, changing suppliers if we have to. But that's going to provide reduction as well.

Mike Shlisky

I guess to follow up there, I'm curious as to your confidence level next year or certainly in 2026. The Class 8 market for diesel will be as busy as it's ever been, maybe in all-time records, certainly in our 25th as they prepare for emissions changeovers. I guess I'm kind of concerned if they're going to have problems getting what they need as far as brakes, some of the things that your trucks share with theirs. And the quantities that you need -- I'm curious as to your confidence level to actually obtain the relatively small number of parts that you need for your vehicles when you're up against some of the larger players for very limited pie in '25 and '26.

Steve Girsky

Well, I mean, fuel cell power modules on their trucks, batteries on their trucks. You're talking about the diesel pull-ahead. Is that what you're referencing, Mike?

Mike Shlisky

Yeah, I'm talking about things like half-components, brakes, steering wheels, things that you would share with those, obviously not the fuel cell parts. But the rest of the truck. I'm curious about some of the challenges your suppliers might be telling you about, about obtaining enough parts for relatively smaller players like Nikola in '25 and '26.

Steve Girsky

Yeah, well, we haven't seen any of that to date in the last quarter. We've had no indications with conversations with the suppliers going forward. And as I mentioned, and as Steve amplified here, the majority of our cost in the bill of material is really specific to the fuel cell and the BEV truck. Much smaller is common with the broader diesel market. We think we're in good shape.

Tom Okray

Most of the supply constraints we've had up till now are really new tech-related, customers launching new tech versus the old tech stuff. We've gotten no indication from our suppliers that, given our volume expectations for the next few years, we're going to have issues.

Steve Girsky

But bottom line, we're excited about what we can do with the bill of material cost reduction, what we can do with the freight and duties reduction, and what we can do with the warranty reduction? And all of that comes together, again, with the flywheel, building that confidence of that order book that we can go to our supplier partners, lock in the orders, lock in the step change cost reductions down. And we're excited what we can do over the next few years.

Mike Shlisky

Thanks. And perhaps one last one for me, and that's the cadence of deliveries and orders into the first quarter of 2025. Are you seeing any customers asking you to hold off until next year, until either there's a rate change or an election change in how they elect to receive trucks from you, or are folks asking for things as soon as you can get them to them?

Tom Okray

No. No, most of our customers are trying to cycle vouchers now. A lot of these guys who understand the voucher opportunity in California, most of them are trying to get their vouchers cycled. Yeah, they're trying to get their vouchers cycled now, most of the businesses in California. Remember, everything here is in its infancy. No one does a demo and says, I'm going to buy 500 trucks. They do a demo, they say, give me 5 or 10, then they say, give me 50, and then they know they have vouchers and they're cycling vouchers in California or trying different routes in other parts of the country.

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Steve Girsky

Yeah, and remember the national account customer as well, where in many cases the big national accounts have thousands of units. And the discussions for them are more how can we get a pilot going? How can we fit into their sustainable goals, sustainability goals? How can we be a partner longer term? How can they get comfortable with hydrogen? How can they get feedback from their drivers? Those are more the discussions than what's going to happen with the rates.

We're a relatively -- and this is the beauty of the national account strategy. We are a relatively small piece of these big overall fleets. We don't need to take a big share of any one national account fleet.

Mike Shlisky

Great, I appreciate it.

Tom Okray

Does that help? Does that help, Mike?

Mike Shlisky

Absolutely.

Tom Okray

Thank you, Mike.

Mike Shlisky

That clarifies a lot. Thank you.

Tom Okray

Thanks, Mike.

Operator

Your next question comes from the line of Greg Lewis with BTIG. Please go ahead.

Greg Lewis

Yeah, thank you.

Steve Girsky

Hi, Greg. Thank you.

Greg Lewis

Hey, Steve, how are you? Good morning, and thanks for taking my question. You mentioned you've kind of been on this whirlwind tour. You called out the potential to do strategic partnerships. As you're working and talking with potential partners to kind of expand Nikola's footprint, could you talk a little bit about where it makes sense and where those probably traction points are?

Is it for the hydrogen on the highway? Is it maybe bringing Nikola trucks maybe to Asia? Could you just provide a little bit of color and how you think about beyond the core business, which is putting trucks on the road in the U.S., how you're thinking about positioning the platform over the next couple of years?

Steve Girsky

Yeah, I'll start, and then Tom will chime in. So, listen, one refuel of our truck is the equivalent of refueling 60 fuel cell cars. Like we said in the release, we're going to have dispensed more hydrogen this year than the entire mobility. We're basically going to double the mobility use case for hydrogen in one year here. That's what these people see. We're the anchor of the ecosystem. And so is it H2 supply, H2 costs, H2 components? Yes. It could be sourcing.

A lot of these players in Asia source -- hydrogen is big in Asia. Okay? Japan, Korea, China, what have you, hydrogen is bigger there than here. There's lots of components, other fuel cell power module players. There's hydrogen component players. When we say we're trying to build a coalition -- a purpose-driven coalition, that's what we're trying to do is people who believe in the ecosystem come with us, help us lower our costs, help us defer capital, help us fund our business.

Tom Okray

Yeah, let me just amplify, Greg. I think what's very exciting about the opportunity we have is we're really getting in on the ground floor that a lot of people believe in, but they haven't really had a chance to execute it. There's been this chicken and egg, do you go with the vehicle first or do you go with the infrastructure?

So now we've got the vehicle on the road. So it makes us very attractive to talk to a number of strategic partners. Let's take, for example, in the automotive world. The automotive world has been working on fuel cells for quite some time but hasn't really made the progress that they've wanted to make. Now that we've got this offtake, we provide them with an opportunity to supply parts to us, to invest in infrastructure with us. We've also got hydrogen producers who haven't had a transportation growth factor offtake, and now they do. They've been mostly in industrial gases.

You've got big energy who -- this really hasn't been a growth factor for them, and it can be. And then you've got these commercial fleets, which both within their company as well as their customers, they've got sustainability goals. Like Steve says, seeing is believing. You've got water coming out of that tailpipe.

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So there's a lot of excitement and a lot of discussions here of joining forces with us and doing something great.

Greg Lewis

Okay, great. And then I did want to touch a little bit, Tom, on the balance sheet. Just looking at cash burn in 2Q versus Q1. It was up a little bit. I guess obviously there's some puts and takes in there. As we think about getting that cash burn lower, as we think about this, is it primarily just going to be pushing that ASP higher in volume, or are there other things that we're thinking about here over the next couple quarters to kind of get that burn a little bit lower?

Tom Okray

Well, like many things, Greg, related to cash, it's multi-pronged. We need to get better with our cash conversion cycle. And we actually did quarter-over-quarter. We took out 78 days, which is a 35% improvement. So we will continue to work on that. It's still too high. We can also work on -- working with CARB and working with our dealers to get our voucher process working better, which helps again, our cash conversion cycle.

What we really want to avoid is doing draconian actions, which are going to hurt what we think is a very exciting prospect and our potential strategic partners think. We don't want to cut hydrogen or delay hydrogen infrastructure. We don't want to delay our next-gen development of our vehicle and redesigning parts for lower cost. So we're confident that we've got enough people who want to invest in the company that we're going to be fine from a cash flow perspective.

Obviously, as we start to hit those volume thresholds and the gross margin continues to go up, we'll burn less cash. So that's a very big lever for us as well. Price, you've seen it go up three quarters in a row, and we'll always look at that. But the bigger thing for us is the volume, as we stated.

Greg Lewis

Super helpful. Thank you very much.

Tom Okray

Thanks, Greg. Appreciate it.

Operator

Your next question comes from the line of Jeff Kaufman with Vertical Research Partners. Please go ahead.

Jeff Kaufman

Thank you very much.

Tom Okray

Hi, Jeff.

Jeff Kaufman

Hey. How are you? Congratulations, everyone. Hey, Tom, I want to get back to balance sheet and cash. Because, I always thought as a rule of thumb you wanted to keep about six months' cash on the balance sheet. But just listening to your comments, you feel like we've got partners that want to invest, we can bring cash in at any point.

But if I take your $256 million of unrestricted cash and just assume that the burn is similar in 3Q versus 2Q, you're going to be about six months by the end of the quarter. So how do we think about what the right cash level is where you're comfortable for the company? And what levers are out there that we can bring in cash to stay above that level?

Tom Okray

Yeah, appreciate the question, Jeff. Your math is pretty good math, and it's math that we do and we look at every day. And, when I said to Greg in the last question that, we're focusing on a number of things. We're also focusing on being in the market and talking to investors to ensure that we've got enough cash to run our operations.

And what do I think is a good amount of cash to have on hand? I mean, ideally, as we enter next year we would like to have enough cash where we can operate for a full fiscal year unencumbered without going into the market and just focus on chopping wood and execution. So that's kind of the way I look at it.

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Right now we finish the quarter with 283 total, 255 unrestricted. And, yeah, I mean that would put us with our normal cash burn toward the end of the year. We'll be getting close to being out of cash. We recognize that. We're talking to the right people, and we're confident that we will get to a place where we can achieve that goal of operating next year unencumbered without having to go to the market continuously.

Jeff Kaufman

Well, I look forward to that. Thank you. And could you give us an idea -- I love that you are starting to monetize the potential for the credits. How should we think about contribution to the bottom line on the fueling? And how should we think about contribution on the credits as we're modeling out '24 and '25? Do these credit amounts that you achieve this quarter, are they going to be a little more consistent as the fleet itself grows and you're running more miles on those trucks?

Tom Okray

Absolutely. I mean, let me just unpack the credit world for you. We've got two types of CARB credits. You know, one is related to NOx and particulate matter, and the other one is a more general ACT one. And together, we think they could be $45,000 to $50,000 a unit. Now, obviously you're negotiating with the people you're monetizing with, but that's a large number.

And what we're also seeing, which is exciting, is that right now it's California only, it's CARB, but we see other states looking to adopt similar things. And the OEM ZEV sale percentage schedule for CARB goes up quite significantly all the way to 2032, where you've got to have 40% of your Class 8 vehicles ZEV. So we think that's going to be a great revenue stream with us. We think that that's -- it's 100% gross profit. So we really like that. More to come on that. Obviously, as volume grows, that gets to be a bigger deal for us.

Steve Girsky

And, listen, at GM we bought credits every year, and they make a tradeoff in their minds to put a big truck in the market. It may make sense to me to buy credits versus put a zero emission truck in the market where I lose a bunch of money on it.

Tom Okray

Absolutely. And this is a benefit of being first mover. You get good at understanding the legislation, monetizing it, working with partners who are doing this type of trade-off, helping them out. So, we dipped our toe in the water in Q2. We think it's going to be bigger, and we think it could potentially be quite big in the future.

Steve Girsky

And the key thing to think about we said this, we said this a couple times in the prepared remarks. The way we believe it is we're in serial production, trucks on the road. If you want to go big with hydrogen and Class 8, you can either go with us now in 2024, or if you go with somebody else, we think it's going to be end of the decade.

Jeff Kaufman

Thank you very much.

Steve Girsky

Appreciate it.

Operator

[Operator Instructions] We will take our next question from Ben Kallo with Baird. Please go ahead.

Ben Kallo

Hey, guys. Good morning.

Steve Girsky

Hi, Ben.

Ben Kallo

Just on that last question or the last answer about end of decade for hydrogen, how do you think about just -- maybe trucks -- maybe Tesla specifically coming to market as competition? And I guess do your customers think about competition that way or versus diesel or versus EV versus hydrogen?

And then my second question is just, and I know you guys touched on this a bunch, but just because we're getting close to November, could you just remind us any kind of political risk you have or how you view that going forward? Thank you, guys, very much. And congrats.

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Steve Girsky

Thank you. Let me take the last one first. We get the question on political risk all the time. Some parties seem to like EVs more than others. We would say that there is many. If you look around where the big hydrogen projects are, there is many hydrogen projects in red states as there are blue states. There's a lot of how you create the hydrogen is different, but there's still going to be a lot of activity, we believe, around hydrogen going forward no matter what.

On the first question, let me put it this way. So we have one of our customers who started their zero mission journey by buying 6 of somebody else's battery electric trucks. The range they stated was this company operates around the ports, is one of the guys in our video. But they said they bought 6 trucks. They said the manufacturer told them the range would be 220 miles on a charge, and they were getting 150. And furthermore, it was taking them an hour and a half to two hours to refuel.

And this company started buying our trucks more and more and more, and now they're the biggest owner of our trucks, frankly. And one of the things he says is, I run two shifts a day. Once I might drive -- your fuel cell trucks weigh the same as everybody else's battery truck. I can refuel them a lot faster, and it's very hard for me to get power to the port to my depot where it is. So his driver ends a shift, and the next one immediately takes over. They don't have to wait an hour and a half to recharge a truck. So he gets, in his world -- and, again, it's very route specific. In his world, fuel cell is actually more efficient than battery.

The other thing you have to deal with besides the range fluctuation, we have customers that like battery trucks who are coming over and setting up for demos that try everybody else's battery trucks, but what they're learning is battery trucks don't work everywhere.

Colorado, for example, high altitude, cold weather, the range on batteries in cold weather degrades quickly. Our range will degrade a little bit, but not anywhere near what a battery truck does. So there's use cases around both. We have customers who want to try ours, want to try everybody else's, including Tesla's, and we'll see where it all lands.

Tom Okray

Let me just amplify. In the quarter, our average fill was 38 kilograms. Just to do the math with our fuel economy, that translates to roughly 275 miles. So as Steve says, you're getting much longer range for these uses -- for these haulers. It's also a much quicker fill, about 20 minutes or so or even less.

The final thing that I'd like to say on this is as we're redesigning this vehicle, our next-gen vehicle, we're going to have a high level of commonality between BEV and fuel cell. So it's actually going to help us with the supply base from scaling. And it's going to help us with the customers, because when we endear ourselves to the customers with the fuel cell, they can buy an option also with the BEV for those specific use cases. So we think it's great that we're going to have two flavors, and leading with the fuel cell right now I think makes perfect sense, where it's less crowded in the marketplace.

Does that help?

Operator

Thank you. This does conclude today's question-and-answer session. I would now like to turn the call back to Soei Shin for any additional or closing remarks.

Soei Shin

Thank you, operator. We appreciate everyone taking the time to join us this morning. And on behalf of Nikola employees, we thank you. Have a great day.

Tom Okray

Bye, everybody.

Operator

You may now disconnect.

**Load-Date:** August 9, 2024

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