

# **Nikola Corporation (NKLA) Q4 2023 Earnings Call Transcript**

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**Body**

Nikola Corporation (NKLA)

Q4 2023 Results Conference Call

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Company Participants

Dhillon Sandhu - Investor Relations Lead

Steve Girsky - President, CEO

Brian De Hoog - Corporate Controller

Britton Worthen - Chief Legal Officer

Conference Call Participants

Mike Shlisky - D. A. Davidson

Ben Kallo - Baird

Jeff Kauffman - Vertical Research Partners

Greg Lewis - BTIG

Winnie Dong - Deutsche Bank

Presentation

Operator

Good morning, and welcome to the Nikola Corporation Fourth Quarter and Full Year 2023 Earnings and Business Update Call. Currently, all participants are in listen-only mode. We 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 my pleasure to introduce Dhillon Sandhu, Head of Investor Relations. Please go ahead.

Dhillon Sandhu

Thank you, operator and good morning, everyone. Welcome to Nikola Corporation's fourth quarter and full year 2023 earnings and business update call.

Joining me today are Steve Girsky, President CEO; and Brian De Hoog, Corporate Controller.

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 measures are reconciled to the most comparable U.S. GAAP measures and can be found at the end of the Q4 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, Dhillon, and good morning, everyone.

Welcome to our fourth quarter and full year 2023 earnings and business update call. What a time it is for Nikola, as our mission of decarbonizing the trucking industry is crystallizing. Previously, we've shared a lot about what our plans are and what we are working towards. Today, it's all about execution.

Our production hydrogen fuel cell electric trucks are in fleet operations hauling freight. The list of fleets operating the trucks is strong and includes Biagi Brothers, a longstanding partner; IMC Logistics, the largest marine drayage company in the United States; 4 Gen/Duncan and Sons, an independent fleet operator and frequent social media poster, coyote container.

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As we said in January, during the fourth quarter, we built 42 hydrogen fuel cell electric trucks, reserving seven for testing and customer demos and wholesale the remaining 35. We ended Q4 with no finished goods inventory, selling every truck available for ship to commerce, and notably, every truck we sold to dealers had a designated end user behind it. Nothing was sold as dealer stock inventory. We could have sold more trucks if not for supplier part constraints.

Additionally, we continue to accumulate HVIP vouchers in California. For vouchers issued in 2023 and through January 2024 in California, there were 360 voucher requests for hydrogen fuel cell tractor trucks, of which 355 were from Nikola. That's a 99% share of the requested vouchers, a testament to our leading position in the market and first mover advantage.

Another interesting fact about the vouchers. There are more HVIP voucher requests for our hydrogen fuel cell electric truck than all other OEMs combined on battery electric truck and fuel cell in that same period. We have a clear market plan, focusing on regions with strong tailwinds like California and Canada for our hydrogen fuel cell electric trucks and HYLA infrastructure solutions.

Our battery electric trucks are being retrofit with new battery packs, driver enhancements and software updates. We remain on-track to get the first trucks back in end user hands by the end of Q1 and believe all trucks will be returned to end user fleets by late Q2 or early Q3. Once these end user trucks have been returned, we will begin selling through our existing battery electric inventory for revenue again. The revised truck, which we nicknamed the BEV 2.0 is currently undergoing validation testing in Coolidge and initial results have been exceptional.

Our HYLA Hydrogen Infrastructure business is on solid footing with a strong leadership team. We have recently announced the opening of our first modular fueling station in Ontario, Southern California. Customers are fueling at our Ontario station daily, and later in the call, we will share our additional expansion plans for the hydrogen highway. In 2023, we continued to improve our liquidity position and decreased our spend, more than doubling our unrestricted cash position to $464.7 million and cutting cash use by approximately 35%.

Our unrestricted cash position is the highest it's been at, at a quarter end since Q4 2021. We continue to improve our liquidity position and remain financially disciplined. Furthermore, we have effectively completed all footprint related CapEx in Coolidge, which is expected to bring our cash use down further in 2024.

We continue to attract top tier talent and have a world-class management team in place for the long haul. Experienced leaders such as Ole Hoefelmann, President of Energy; Mary Chan, Chief Operating Officer and are in discussions with a potential new Chief Financial Officer, whose experience includes roles as CFO of other publicly-listed companies and relevant operational experience. They understand the urgency with which we need to keep moving and break new ground. This is the team to bring us forward.

We have a Board of Directors with deep expertise in trucking, manufacturing and energy. In December, we added Jonathan Perchick, former CEO of TravelCenters of America, and just last week, Carla Tully joined. Carla has a successful track record leading and scaling energy organizations across Fortune 150, private equity, start-up and government entities for over two decades.

If you look at the makeup of our Board, it's a group who are highly experienced entrepreneurial thinkers and operators of global companies. Q4 was about getting out on the field, proving we could bring this groundbreaking technology to the market and deploying the building blocks to begin developing the hydrogen highway. This coming year is about scaling our business, growing revenues and optimizing costs.

Now on to our business updates and discussion about what's to come in 2024.

Beginning with the hydrogen fuel cell electric truck, as I stated earlier in the call, during Q4, we built 42 production FCEVs, delivering 35 of the trucks and reserving seven for captured fleet testing and customer demos. These trucks are operating in California and Canada, hauling commercial freight. There have been several posts online from fleets and Nikola fans spotting the trucks in operation, so here are a few anecdotes.

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Coyote Container successfully drove their truck from the Port of Oakland to the Port of Long Beach, then to Iowa, Ontario to refuel and back to the Port of Oakland. There is probably no other zero emissions truck that could handle the 866 mile journey hauling freight with one refuel.

MTA's truck drove 519 kilometers round trip from Edmonton to Calgary and back with the tank about 40% full after they completed the journey. That route is Alberta's busiest transportation corridor and the journey proves our zero emissions truck can serve that market. Not to mention all the while it was minus 10 degrees celsius outside.

As far as we are aware, no other FCEV trials in Alberta to date have been able to complete this trip until now. And our Nikola engineering team is still pushing our trucks to the limit, driving the truck more than 1,000 miles in one day fully loaded without any problems. Initial fleet feedback has been overwhelmingly positive, with a smooth ride and power being among the highlights and our sales team continues to work alongside dealers to facilitate sales.

Last November, we told you we had approximately 96% of the hydrogen fuel cell electric truck HVIP voucher requests in California. At that time, there were 135 requested vouchers, of which 130 were for Nikola. As of the end of January 2024, there were 360 vouchers requested in California, of which 355 are for our truck.

So of the additional 225 requested vouchers since the last call, 100% of them have been for our truck. It's a testament to our first-mover advantage, sales strategy of having boots on the ground helping fleets realize their sustainability goals, our leading market position and the quality of our product. This is not a science project. Our production hydrogen fuel cell truck is driving on the road today and we are making our mission to decarbonize heavy-duty transportation happen one fleet at a time.

Progress continues on our battery electric truck remediation. We remain on-track to return the first trucks to customer operations by the end of Q1. Our plan is to have all end user trucks back in their respective fleets by the end of Q2. And throughout Q3 and Q4, we will complete upgrades to additional BEVs at our Coolidge, Arizona facility and have the BEV 2.0 available for sale.

We continue to accumulate HVIP vouchers for the BEV, with 95 requested at the end of January, up from 62 on last quarter's call. The additional voucher requests are in addition to the purchase orders for 47 BEVs from one dealer on the East Coast. Our sales team and dealers are in further discussions with fleets to secure additional purchase orders and are on-track to have all trucks in Nikola inventory spoken for prior to resuming production.

As I said earlier, we're calling the truck BEV 2.0 because not only are we replacing the battery packs and addressing outstanding service campaign fixes, but we've made a number of additional enhancements, some available immediately and others that over time are expected to be updated over the air to augment the truck's capabilities.

The improvements include an updated instrument readout for more vital information viewing, connectivity improvements, a more user-friendly mobile app, a scheduled departure feature which ensures maximum charge when drivers begin their route and a better charging experience. In addition to improved battery packs and new features, the trucks are also expected to be lighter, which is expected to result in higher payload capacity for fleets. We are committed to the battery electric product. Nikola has one truck platform, two powertrain options and we're developing a network providing zero emission fueling and charging solutions for Class 8 trucking. That's all we do.

Moving on to the energy business, HYLA. Earlier this month, we announced the opening of our first modular hydrogen fueling station in Ontario, California, which can fuel up to 40 trucks per day. Customers are utilizing this station on a daily basis to fuel up and keep hauling freight.

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Additionally, we named First Element Fuel as an authorized fueling solutions partner. The collaboration enables Nikola customers to utilize their new multi-use heavy-duty refueling station strategically situated near the Port of Oakland, which will be able to serve up to 200 trucks per day. These locations are ideally located, providing customers with the opportunity to go from Northern to Southern California and back.

The HYLA team is hard at work to secure additional refueling locations and assets. In Southern California, we have a line of sight right now to secure six additional HYLA modular refueling sites in 2024. As mentioned, in Northern California, we have First Element Fuel in Oakland, with three additional sites being planned near the Bay Area and Sacramento. In addition to the planned HYLA stations and First Element, we are in discussions with other hydrogen fueling station operators to allow Nikola customers to fuel at their underutilized assets.

The modular station in Ontario is the first step in the development of the HYLA Hydrogen Highway. Modular stations are intended to support new geographies as hydrogen fuel cell electric truck network density is amassed in the surrounding area and serve as a nimble interim solution, while permanent refueling infrastructure is built. Upon completion of the permanent station infrastructure, the modular fueling assets can be redeployed in a new location, as we look to develop density in existing markets or enter new ones.

We believe the modular strategy will provide us with a flexible solution, allowing us to rapidly penetrate new markets and remain capital efficient without the need to commit to permanent infrastructure prior to developing hydrogen fuel cell electric truck demand, ensuring high utilization of refueling assets.

The planned hydrogen highway is well underway and the top priority of the HYLA team is to ensure customers are up 100% of the time and fuel is not a bottleneck to deliver trucks. We are happy to confirm at this time, our energy team has secured more than enough off take to support our 2024 truck plan of record.

Passing it to Brian to cover the financial results.

Brian De Hoog

Thank you, Steve.

Throughout 2023, we continue to strengthen our liquidity position, increasing our unrestricted cash balance, while also cutting our cash use by focusing spend on core business initiatives. Cash used for CapEx in operating activities, which excludes loss on supplier deposits, stock-based compensation, depreciation and impact of working capital averaged $85 million per quarter in the second half of 2023 compared to $130 million in the first half of 2023. That burn rate will continue in the first half of 2024 as we ramp up hydrogen fuel cell electric and HYLA activities that have visibility to reducing to less than $70 million per quarter by year end.

In 2023, we sold 79 battery electric trucks prior to the recall and 35 hydrogen fuel cell electric trucks in Q4 for total net truck revenue of $30.1 million. Net truck revenue includes the impact of dealer rebates, incentives and truck returns due to the cancellation of certain dealer agreements.

Service and other revenue in 2023 was $5.8 million. Our gross loss in 2023 was negative $214.1 million. Gross loss is outsized in 2023 due to the battery electric truck recall, which includes a reserve of $65.8 million for estimated recall costs and the write down of $45.7 million for BEV battery pack and other BEV inventory components.

Total operating expenses for the year came in at $435.8 million and includes $75.4 million of stock-based compensation and $28.8 million loss on supplier deposits. Excluding loss on supplier deposits, total operating expenses were within our previously provided guidance range and improved substantially versus the full year 2022.

We'd also like to provide a little color on the elevated interest expense for 2023. Net interest expense totaled $76 million for the full year, of which $41.2 million is from a one-time, non-cash expense related to the conversion of the April 2023 toggle convertible notes during the third quarter.

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Net loss from continuing operations for the full year was $864.6 million and on a non-GAAP basis came in at $631.3 million. CapEx for the full year totaled $120.5 million as we completed the manufacturing footprint and line reconfiguration in Coolidge to bring hydrogen fuel cell electric truck production online. While we expect some hydrogen fuel cell electric truck tooling costs to carry over into 2024, the vast majority of these expenditures are in the rearview mirror.

Moving on to the Q4 2023 results.

During the quarter, we delivered 35 hydrogen fuel cell electric trucks for total truck revenue of $12.5 million. Net of dealer rebates and incentives, ASP was $351,000 due to the fulfillment of a number of lower-priced legacy deals, which drove down ASP. We expect ASP to increase throughout 2024 as our sales mix transitions away from legacy deals as they are fulfilled.

Net revenue for the quarter was $10.4 million and includes a reversal of some revenue from dealer cancellations and repurchase of their BEV inventory as we continue to strategically refine and position our dealer and service network in geographies of strong tailwinds like California and Canada.

Gross loss in Q4 was approximately $38.2 million, resulting in a negative gross margin of 332%. Gross loss is outsized due to low production volume, high variable and fixed costs and non-cash accruals. We would like to provide some additional insight into the current unit economics per hydrogen fuel cell electric truck and show the true cash spend per truck today.

Looking at hydrogen fuel cell electric truck production on a standalone basis, we can separate costs of goods into three buckets, variable cash costs, fixed cash costs, and accruals, depreciation and amortization. Variable cash costs include our bill of materials and variable manufacturing costs in Coolidge such as direct labor, manufacturing supplies, inbound freight duties and taxes. On a per unit basis, variable cash costs were approximately $679,000 per truck. We expect these cash costs to decrease as our bill of materials come down and revert from airfreight back to ocean freight as supplier throughput normalizes.

Fixed cash costs primarily include indirect labor and facilities overhead spend. On a per unit basis, fixed cash costs per vehicle were $126,000. We expect we will experience the benefits of operating leverage on a fixed cash cost on a per unit basis, as we scale production volumes. On a cash basis per truck, we are at a negative 129% cash margin.

The third component of cost of goods accruals in D&A include items like warranty, net realizable value write downs of inventory, the IVECO S-Way license amortization and depreciation on the Coolidge manufacturing facility and equipment. On a per unit basis, accruals and D&A were $459,000 per truck, resulting in a gross margin loss on the trucks of negative 260%. As we continue to increase ASP, lower our bill of materials and increase production, we expect the items above to substantially decrease on a per unit basis.

Since this is our first quarter reporting hydrogen fuel cell electric truck sales, we wanted to give you some insight as there are many accruals and accounting reserves included in the P&L that are highlighted with lower production volumes. We believe looking at operating leverage is a better measure of Nikola's performance in this early stage of production.

Actual cash spend per truck gives insight into where we have operating leverage and provides a clear runway to improve cash margin as we achieve higher production and delivery volumes in the second half of the year. Steve will share where we expect to be on a cash contribution margin basis later in the call, when we provide 2024 guidance.

Moving on to our operating expenses. Total operating expenses for fourth quarter came in at $89.6 million within the provided guidance range and includes $10.4 million of losses on supplier deposits and $6.5 million of stock-based compensation. Excluding loss on supplier deposits, operating expenses came in below the low end of expense guidance, as we continue to foster financial discipline and reduce cash use.

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Cash use for Q4 was $129.9 million below our $140 million target. We anticipate our cash use will continue to decline on average as we continue to see reductions in bill of material costs and manage our working capital effectively. Lastly, we ended Q4 with a total unrestricted cash balance of $464.7 million, an improvement of $102 million from Q3 and our highest unrestricted cash balance since Q4 of 2021.

Steve Girsky

Thanks, Brian. Let's discuss our 2024 outlook.

We're starting the year in a strong position as demand is not a constraint, and we believe we can sell every truck we can build. We are experiencing some delays in the ramp-up of new components from suppliers on the hydrogen fuel cell electric truck and modular refueling assets.

At this time, we're guiding for full year hydrogen fuel cell electric truck deliveries in the range of 300 to 350 trucks. There could be upside to this range, if supply constraints on both the truck components and dispensing assets alleviate, as we have plenty of production capacity in Coolidge and hydrogen supply. As always, our supply chain team is diligently working with our suppliers and we will continue to provide you with updates in the coming quarters.

With current demand greater than supply, we can be selective on customer orders and believe we can push price higher. Contrast this with the current light duty EV market where inventory is high and prices are coming down. We are doing the opposite. On the battery electric trucks, we expect to deliver at least 100 in 2024. These deliveries will begin after we have completed the return of the recall trucks to end users in late Q2 or early Q3 2024.

We are encouraged as dealers continue to submit HVIP vouchers, and our sales team is working through the sales pipeline for additional purchase orders. We expect total truck revenue for the full year to be between $150 million to $170 million. This year, we expect hydrogen revenue and associated cost to be minimal as we are just beginning to deliver the first trucks and develop the hydrogen highway.

For the full year 2024 guide, we think hydrogen and other revenue will be in the range of $10 million to $12 million. We expect total gross margin for the full year to be in the range of negative 100% on the low end of delivery guidance and negative 80% on the high end. On the truck side, lower production volumes will be helpful to the cash burn initially as we will not incur as many costs. However, we do see a line of sight to achieve positive cash contribution margin later in the year.

As Brian talked about earlier, there are some non-cash accruals and fixed costs that are elevated right now as we ramp up production volumes and deploy new technology. At this time, we believe if we can continue to increase ASP and reduce bill of material costs, we believe we can be in a position to produce a positive cash contribution margin on every truck as we transition into 2025. At that point, selling more trucks will produce more cash flows to begin covering fixed manufacturing costs and operating expenses. We expect 2024 operating expenses to be in the range of $280 million to $300 million including $30 million of stock-based compensation.

Our expected CapEx for 2024 is $60 million to $70 million. CapEx will be predominantly spent on HYLA modular refueling infrastructure, supplier tooling and investments to reduce the hydrogen fuel cell electric truck bill of materials. For the first quarter of 2024, based on supply availability, expect to deliver between 30 and 35 hydrogen fuel cell electric trucks for revenues between $12 million and $14 million. We expect gross margin for Q1 will be approximately negative 245% to negative 205%.

Operating expenses for Q1 are expected to be between $72.5 million to $77.5 million and includes $7.9 million of stock-based compensation. CapEx in Q1 will be approximately $20 million. We expect operating expenses to decline further throughout the year, as we complete the battery electric truck recall and reduce hydrogen fuel cell electric truck engineering and validation activities, as we are now focused on production.

To close the call, I'd like to just talk about the interest in Nikola and our products and services. There has been so much interest from government officials, suppliers, to partners and fleets. Nowhere was that more evident than at CES 2024, where we were hosted by Bosch and brought three hydrogen fuel cell electric trucks. We gave walk around tours and rides and the excitement and reactions from people said it all. They know we're for real.

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While other OEMs have their future trucks on the showroom floor, our Class 8 hydrogen fuel cell electric truck was the only one driving attendees up and down Paradise Road. We are building the products, hauling freight and refueling at our first modular station. We have entered the execution phase of Nikola's business model, and we're doing what we said we're going to do.

Finally, I want to thank those fleets who have our trucks in operation and are putting them to work, while also collaborating with us to refine our product with each mile. Your faith in our pioneering product inspire us and we are here to support you in your journey to ensure your success. Thank you all again for your time, passion and commitment to Nikola's future.

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 Mike Shlisky with D. A. Davidson. Please proceed.

Mike Shlisky

Steve, you had noted that, there was no trucks sold for dealer stock inventory. I guess I was curious whether you are getting requests from dealers to have inventory and is there a point where you'll be able to finally fulfill that or is customer spoken for demand kind of almost the entire 2024 planned output here?

Steve Girsky

We are still filling customer demand right now. We have customers attached to every order. At some point, dealers will have a demo vehicle or something like that, but I think it's going to be a while before they'll be able to actually physically stock trucks.

Mike Shlisky

And then on more near-term level, you had mentioned a few component constraints that held back production. I'm curious if you resolve those here in the first quarter or have a good line of sight to when that might get resolved?

Steve Girsky

I would say on the truck side, they're starting to resolve and on the fueling side, they're actually also starting to resolve with the truck side resolving a little faster.

Mike Shlisky

And one last one for me. You had mentioned there was an interesting slide about how you plan to enter market with the portable and then bring in the permanent hydrogen infrastructure after that to kind of ease into it and help manage the local transition. That was very interesting. At this point, do you have any plans for your next market outside of the Arizona California corridor?

You had alluded to Canada, I know you've got some off take in Midwest. I'd be curious if you've got more in the pipeline here over the next year or two or is there still a lot of infill to go within California here?

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Steve Girsky

Sure. We look at it this way. We need to have fish where the fish are. Right now the incentives are best in California and in Canada. There's 30,000 trucks serving the ports in California. There's a big move with all those trucks to go to zero emission. We want to be in a position to supply them. We think the market is right for us in California. We got plenty of opportunity.

Again, like you said, this is about building density. We need to build density to make this work. Will we eventually move out from California? Yes. I'm sure as we move through the year, there'll be other markets. But right now, California and Canada are our two best markets.

Operator

Our next question is from Ben Kallo with Baird.

Ben Kallo

Congrats on the work so far. Just on you mentioned the port, could you just talk more about the opportunity there and how you're working on developing that? I know that's a close opportunity and makes a lot of sense there.

Steve Girsky

Yes. The ports are huge. Like I said, 30,000 trucks serving the ports. We're attacking those markets. That's where our most of our fuelers are going. We think it's an enormous opportunity for us. Frankly, that's where some of the biggest orders were. These 35 trucks, a handful went up to Canada, but most of them went to California. It was 210 and a five, okay. These weren't small guys here. These were big guys.

So big opportunity and not only just by the way the Southern California ports, it's the Northern California ports. First Element will be able, I was at First Element last week with Ole. They're going to be able to fuel 100 plus trucks a day. It's a big opportunity for us and it could move to 200. We think there's a huge opportunity in both Northern and Southern California ports and connecting them.

Ben Kallo

When you think about the pilots and the fleets or customers, how do you think their buying pattern as compared to the full electric trucks? Does that mean like infrastructure do they buy one, five and then 50 or how do we think about like the cadence of that? I know all customers are probably different.

Steve Girsky

First, let me correct something. We sold 10 trucks to two different fleets and five trucks to one. By the way, one of the people who bought 10 trucks wants 40 more. He has been public about that. When you ask them why are they buying fuel cell truck, why are they interested, their message to us is, basically it's the same weight as many others electric truck and gets almost 3x times the range and can refuel faster.

Operator

Our next question is from Jeff Kauffman with Vertical Research Partners.

Jeff Kauffman

Thank you very much. Thank you for the detailed guidance for '24 and the update. That was really helpful. I just had a couple of questions. The cost of getting the battery electric trucks back out into customer hands in the field, is that showing up only in the cash flow statement? Is there part of that running through the P&L and the guidance in '24? Could you give us a little clarity on that?

Steve Girsky

Brian, do you want to handle that?

Brian De Hoog

Yes. So we had to write up the cost initially. We've already spent $68 million primarily that was in Q3. From a cash perspective, we've incurred about $3 million so far. So most of the cash impact will be in Q1 and Q2.

Steve Girsky

So the trucks that we're selling, the additional 100 trucks that we talked about in the guidance, those will be for revenue throughout the year. We expect to start delivering those late Q3 or early Q4. So those will hit the P&L.

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As Brian alluded to, we reserved a $68 million warranty liability at all. Of that, we've spent approximately $3 million. A lot of that spend will be spent on the material to actually retrofit the tax. But ultimately, those packs will be sold pretty close to the timing or those trucks will be sold pretty close to the timing of actually retrofitting them. So we expect a minimal impact on that.

I think last quarter we alluded to of the total $65 million spend, which is now $68 million. We expect the net cash spend to be approximately $35 million as we sell through the battery electric inventory for a positive cash contribution and we collect on some of the outstanding AR. So maybe that number is a $38 million impact instead of $35 million now, but that's how you should think about it and they will hit the P&L for revenues.

Unidentified Company Representative

And the other thing, Jeff, as Brian alluded to, most of these cash costs are in the first half of the year. We expect cash burn to be materially less in the second half of the year than the first half of the year.

Jeff Kauffman

And then when we're talking about the fuel cell trucks now that we're out there selling them, is the only revenue that you're generating on the sale of the vehicle or are there other revenues related to say fuel or maintenance or kind of other oddities that we should be thinking about in that revenue figure?

Steve Girsky

So, there is some small energy revenue in that number. We said $10 million to $12 million this year. Most of that is around energy. It's small. We're just getting started there. That's the big piece of it.

Jeff Kauffman

And then final question. So if I walk through the guidance that you gave and then my math might be a little fuzzy here because I'm kind of in a pay phone booth with my cell phone here. But it looks like somewhere in the low $400 million cash burn ex depreciation, ex stock-based comp, does that mean you're going to have to raise capital again before the end of the year or do I have the…

Steve Girsky

Yes. So listen, we have the highest cash, unrestricted cash we've had in two years. We actually have more cash than that burn, okay. Second half is going to be materially lower than first half and we have assets we could sell that we could monetize. So we'll figure out what we need to do when we need to do it, but we don't need to do it right now that's for sure.

Operator

Our next question is from Greg Lewis with BTIG.

Greg Lewis

I have real quick, that those 100 bed trucks you've referenced. Are those largely already in inventory and then just need the battery pack up? Is that what you were just saying?

Steve Girsky

Yes, Greg. So the, I believe we had about 150 trucks in Nikola inventory. So those 100 are coming right off of our balance sheet and those will be positive cash contribution as we'll sell them for you can think about a $300,000 ASP and the cost of retrofits is substantially lower. And Greg, those will be sold anywhere in the country.

Greg Lewis

Yes, understood. I did want to talk about the hydrogen, the network. Congrats on getting that first one up and Romeo. It looks like you kind of have the next one with element. As we think about 2024, I want to say, we were kind of targeting that mid-single-digits range, maybe in kind of mid-year. Are we kind of still on a path to that growth with realizing the longer-term targets of 16 probably three, four years out down the road?

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Steve Girsky

Mid-single-digit range.

Greg Lewis

In terms of fueling stations?

Steve Girsky

Yes. I think we're on target. We have line of sight on six modular sites in the south and other three in the north. It's a moving target. It's a big funnel. Ole and his team are looking at new sites every day where we need demand, and so it's still a good target.

Greg Lewis

And then just one more for me around the obviously Mike's question around supply chain issues being a drag. As we sit here now midway through Q1, as we think about the ramp in fuel cell deliveries, any kind of cadence you can walk us through just realizing that we're starting to have a better line of sight on supply chain, as we look out into the summer?

Steve Girsky

Farmer's Matt, 30, 60, 90, 120 sounds like a good on the low-end. And obviously if things start to ease up, we'll accelerate that.

Operator

Our next question is from Winnie Dong with Deutsche Bank.

Winnie Dong

Thanks so much for taking my questions. I was wondering if you can maybe talk about the previous EBITDA positive target that's been, I think set for 2025. I was wondering if you have any sort of update on that and perhaps any update on units associated that may be needed to get you there?

Steve Girsky

Winnie, can you repeat your question? It was breaking up a little bit there.

Winnie Dong

Sorry, can you hear me now?

Steve Girsky

Yes.

Winnie Dong

Yes. I was talking about the previously indicated EBITDA positive target for 2025. I was wondering if there's any updates to that goal and then perhaps any associated units that may be needed to get you to that target.

Steve Girsky

Again, the strategy here is to get the positive cash contribution margin on a truck, variable margin on a truck. We aspire to do that by year end. Once we do that, it's about accelerating volume and dropping more cash to cover the fixed costs. Right now, we have a line of sight on both of those, the positive cash contribution margin as we get to later this year into next year and that will drive us as we ramp volume next year to basically get to EBITDA positive.

Guys, don't underestimate the inefficiencies we are working through here. This has been all about getting on the field. Getting on the field, you learn, you pivot and then you win. That's the strategy here. Get on the field, learn, make adjustments that we need to make whether it's on the fuel, whether it's on the go-to-market, whether it's building the truck and then make those adjustments and win. That's the strategy.

Winnie Dong

And then maybe separately, on the gross margin maybe on that side, can you maybe comment on sort of like post this 100 units of deliveries, what the, perhaps normalized margin profile will look like? You're using, I think, a different battery pack versus Romeo previously. So just wanted to understand sort of the targeted margin profile for that product?

Brian De Hoog

Yes. Hi, Winnie. So in the full year guidance that we gave, the BEV margin is included there. We're not specifically breaking out BEV guidance right now on a gross margin basis. As you're aware, we have a lot of trucks in our inventory, approximately 150 that we're going to sell-through. Those trucks will only require new battery packs and then some additional labor cost.

So we do expect a positive cash contribution on those trucks this year. However, when we start rebuilding them potentially in Q1 or Q2 next year, we have not provided gross margin guidance and we'll continue to update you guys as we get closer to that target timeframe.

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Operator

[Operator Instructions] With no further questions, I will now hand the call back over to Dhillon for investor questions.

Dhillon Sandhu

Thank you, operator. We received a series of questions from retail investors through the SAI platform, the majority of which can be summed up into three topics.

One, what are our plans for 2024? Two, how does Nikola differentiate itself from competitors and how is Nikola better positioned than other manufacturers who are entering the hydrogen and battery electric Class 8 market? And three, what happened with the Badger program? Is what we are seeing on social media true? Steve, let's start off with the first question. What can investors look forward to in 2024?

Steven Girsky

Thank you, Dhillon. 2024 is about execution, scaling our business and optimizing revenue and costs. Every day, we are validating our business model by executing on what we said we were going to do. Near-term drivers include higher average sales price, growing our strong sales pipeline and deploying sufficient modular fuelers to meet the needs of our customers.

Since we announced we delivered 35 hydrogen fuel cell electric trucks in Q4, we've had heightened interest in our product. In fact, the total number of HVIP vouchers for our hydrogen fuel cell electric truck at the end of January exceeds the total vouchers requested for all BEVs requested since 2023, and that's across all manufacturers. We own a dominant share of the available HVIP vouchers for hydrogen fuel cell electric truck vouchers, and we intend to keep it that way.

This is not a time for distractions. We remain hyper focused on the business and ensuring that our customers come first. The stock price will take care of itself as we execute our plans. I'll say it again: we are in the right place at the right time with the right products to transform the commercial transportation ecosystem for the better. I couldn't be more excited to be a part of Nikola as I am now.

Dhillon Sandhu

Thank you, Steve. Next topic is how we better positioned and what differentiate us from the competition?

Steven Girsky

The biggest difference is our hydrogen fuel cell electric truck is available to customers right now. We have overcome many challenges to be the first manufacturer to deliver a Class 8 hydrogen fuel cell electric truck to customers in North America. Customers like Biagi, IMC Logistics, 4 Gen, and Coyote Containers are hauling freight as we speak.

What sets our hydrogen fuel cell electric truck apart is that it has extended range, more features, more capabilities than its peers. Demo and customer experience data show that customers prefer the tighter turning radius, driver assistance features, smoother ride, and the extended range up to 500 miles. They appreciate the embedded technology of over-the-air updates, which keeps them out of the service bay and on the road.

These software-driven over-the-air updates will allow us to add more features over time to make the trucks even better. In short, we are benefiting from being a leader in the market and first-mover advantage. Our clear market plan, focusing on regions with strong tailwinds like California and Canada for our hydrogen fuel cell electric trucks and HYLA infrastructure solutions, will bear out versus our competitors.

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Dhillon Sandhu

Great. And the third topic is about some of the social media posts regarding the Badger recently. Britton, I will turn this one over to you.

Britton Worthen

Thank you, Dhillon, and good morning.

I've been a member of the Nikola team for eight years, taking part in its growth from just a few people in Utah to a company today with more than 900 employees, a headquarters in Phoenix and a manufacturing facility in Coolidge.

I'm very proud of what this company has accomplished and overcome as we work to decarbonize the heavy-duty trucking industry. There have been some confusing and potentially misleading videos and comments about Nikola Badger program that have been posted in recent days that I would like to address with facts.

The Badger program was initiated by Trevor Milton. After Nikola undertook some research and development, more than 6,000 reservations and deposits were taken and two prototypes were built, eventually being completed in late 2020. The Badger program was always predicated on an OEM partnership. Because passenger vehicle development programs take billions of dollars to engineer, validate, produce and distribute. It is an extraordinarily complex endeavor and very different from Class 8 trucks.

This is why passenger vehicle companies do not typically build heavy-duty trucks and vice versa. After Mr. Milton's departure from the company in September 2020, Nikola did not pursue the Badger program. On November 30, 2020, we announced that we were returning all order deposits for the Badger.

In addition to a press release on that day in which our CEO at the time stated that, we were focusing on our core business of Class 8 heavy duty semi-trucks. This brings us to the summer of 2023 when an agreement was executed between Nikola and Ember, a company majority owned by Dave Sparks and Cole Cannon. Nikola agreed to sell the Badger and Powersport's related assets, which included certain intellectual property and some physical prototypes.

Mr. Sparks and Mr. Cannon expressed a desire to bring these products to market and brought several EV related partners to meetings as we discussed a possible sale. Based upon their representations that they plan to bring these products to market and that they needed working capital to do so, a deal was struck that allowed Ember to purchase the assets on a note with no money down to be paid back to Nikola over time.

Nikola retained a 30% interest in Ember, which lowered the note payable owed back from Ember, allowed Nicholas to retain some value for its shareholders if the assets were ever developed into anything worthwhile, and allowed Nicholas to claw back 500,000 shares that were given by Mr. Milton to Mr. Sparks as part of Mr. Milton's departure from the company.

Mr. Sparks and Mr. Cannon agreed that Mr. Milton would not be involved directly or indirectly in any way with the Badger or Powersport's assets. It was specifically stated that Mr. Milton was to have zero involvement in this effort because the company felt strongly that he had caused enough reputational, financial and operational damage to Nikola. Mr. Sparks and Mr. Cannon acknowledged and agreed to this stipulation.

Over the three and a half years since Mr. Milton left the company, we at Nikola have worked to stay above the fray, not comment on his legal proceedings, and stay focused on the work at hand to bring zero emission Class 8 trucks to market. As you have all heard on this call, we have done just that.

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The irony that Mr. Milton is now trying to take control of Nikola after all that has happened in the past three and a half years is not lost on us at the company. We will continue to push back against any efforts he makes to attempt to take control of Nikola, and we believe our directors and management are far and away better for our stockholders than a slate of directors who lack relevant experience to run a clean energy, clean tech company.

We continue to pursue all legal avenues against Mr. Milton related to the $165 million arbitration award that we won related to his wrongful conduct. We are currently working to have that arbitration award confirmed in federal court. Not surprisingly, Mr. Milton has opposed that request for confirmation, but we are waiting on a decision from the federal court judge. Our company has made a commitment to openness and transparency with government entities, our stockholders, partners, and our employees.

I am honored to be a part of this organization every day and like all Nikola team members, remain committed to our mission and eliminating unnecessary distractions.

Thank you for your time this morning. And now, I turn it back to Dhillon.

Dhillon Sandhu

Thank you to our Chief Legal Officer, Britton Worthen for your explanation. That concludes our prepared remarks for today. Thank you all for joining.

Operator

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

**Load-Date:** February 22, 2024

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