

Lightning eMotors, Inc.
Second Quarter 2022 Earnings
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Presenters

Brian Smith – Vice President-Investor Relations
Tim Reeser – Co-Founder and Chief Executive Officer
Kash Sethi – Chief Revenue Officer
Teresa Covington – Chief Financial Officer

Q&A Participants

Mike Shlisky – D.A. Davidson
Sherif El Sabbahy – Bank of America
Colin Rusch – Oppenheimer
James Valan – Karner Blue Capital

Operator

Ladies and gentlemen, thank you for joining us for today's Lightning eMotors Second Quarter 2022 Earnings Call.

As a reminder, all phone participants are in a listen-only mode, but later you will have the opportunity to ask questions. Also, a friendly reminder that today's session is being recorded.

To get us started with opening remarks and introductions, I am pleased to turn the floor over to President of Investor Relations. Mr. Brian Smith, please go ahead, sir.

Brian Smith

Thank you, Operator, and thanks for joining us, today. Hosting the call today are Lightning's Co-Founder and CEO, Tim Reeser; Chief Revenue Officer, Kash Sethi; and CFO, Teresa Covington.

Ahead of this call, Lightning issued its second quarter 2022 earnings press release and presentation deck, which we will reference, today. These can be found on the Investor Relations section of our website at lightningemotors.com.

On this call, management will be making statements based on current expectations and assumptions, which are subject to risks and uncertainties. Actual results could differ, materially, from these forward-looking statements, due to risk factors that are listed in today's earnings release and in our filings with the SEC, which can also be found on our website. We assume no duty to update any forward-looking statements.

Today's presentation also includes non-GAAP financial measures. Please refer to the information contained in today's earnings press release for definitional information and reconciliations of non-GAAP measures to the comparable GAAP measures.

With that, let me turn it over to Tim.

Tim Reeser

Thank you, Brian, and thanks to everyone for joining us, today. I'll start off on Slide 4 with today's agenda. I will begin with an overview of Lightning and a supply chain update. Kash will then provide an update on products and markets and sales and business development initiatives. And Teresa will wrap up with a financial overview.

Moving to Slide 6. We believe Lightning eMotors is the only full range manufacturer of Class 3 through 7 battery electric and fuel cell electric vehicles in the market, including ambulances, shuttle buses, utility trucks, school buses, and motor coaches. We're the only company currently shipping product in all of these classes, today.

We started in 2008 with commercial vehicle hybrid solutions and have now shipped over 300 zero-emission vehicles with over 2 million zero-emission miles driven by our customers.

Our strategy to start by electrifying ICE chassis has allowed us to produce in-volume earlier than our peers, advancing our learning about all things EV and giving us a competitive lead, as we now move to designing and building our own eChassis.

Moving to Slide 7, we've built a modular software and hardware architecture that allows us to serve a highly segmented and customized market with cost effective solutions. Our high level of software and hardware customization that is required for commercial electric vehicles is something that legacy OEMs have not, historically, performed and are not well suited for.

Companies like Ford and GM are building light-duty commercial trucks and vans in high volumes and have not pursued a business model that supports manufacturing electric vehicles for the medium-duty segment.

Moving to Slide 8, a quick summary of the quarter, our production team executed very well in the quarter, producing 74 vehicles and powertrains, which is nearly 100% increase, over quarter two of 2021.

These were all units built to meet customer demand, but customer financing delays pushed nearly half of the expected revenue into Q3 and Q4, resulting in only 36 vehicle and powertrain sales in the quarter. We have already recognized over \$1 million of that expected revenue, so far in Q3.

Since our last earnings call, we have announced a strong lineup of new products and partnerships, which we will go into in more detail, coming up. We continue to hire industry leaders to our team, and we are investing for the future.

Lastly, during the quarter, we adjusted our prices to help offset the inflationary pressures on our product costs, which should lead to improving margins in the future.

Moving to Slide 9. We also announced, last month, that we are expanding our partnership with Collins Bus to include both GM and Ford chassis, which helps us in terms of chassis supply. It also reflects our commitment to the North American school bus market, which represents about 45,000 buses per year, 10,000 of which are the smaller Type A buses that we have, successfully, electrified.

With the \$5 billion of funding announced as part of the EPA's clean school bus program and with our yearlong partnership with Collins, we see a bright future in electric school buses.

Moving to Slide 10. Last month, we also announced our next-generation mobile battery vehicle charger, which allows our customers to fast charge commercial vehicles, wherever it is needed, without electrical infrastructure installation permits, providing charging in temporary lots, providing charging in areas with limited charging infrastructure or while waiting for permitting and charging equipment to arrive.

Our mobile chargers can accommodate a variety of battery buffer and number of DCFC charger configurations, with an MSRP of between \$300,000 and \$400,000. Several customers are already renting an early beta unit.

Moving to Slide 11, in the face of chassis supply limitations, fleets are coming to us to repower their existing ICE vehicles. Last month, we announced that some of the top tech companies in the Bay area have asked Lightning to repower some of their employee shuttle buses, allowing them to fulfill some of their emission reduction commitment, without having to purchase new shuttles.

In addition, we announced, last week, an offering with Blue Bird to provide factory certified repower options for their Type C school buses, extending our partnership beyond the step van powertrain we announced with Blue Bird in May.

Moving to Slide 12, let's discuss the supply chain landscape. With our new platform partnerships and agreements, we now have much better chassis visibility for Q3 and Q4, with nearly 200 now in our lot and another 200, plus, expected to arrive, by the end of 2022.

Engineering work on the new GM Class 4 platforms is progressing in earnest and we expect to be in production with our new GM offerings later this year and our Blue Bird eChassis powertrain and Lightning eChassis in the second half of 2023.

Our factory certified repower offerings are seeing strong customer interest, and we delivered the first Class 3 and 4 repowers, over the last six weeks.

As we stated previously, batteries, which were supply limited last year are in much better shape due to new battery partnership agreements. And we have inventory on hand, today.

The situation remains dynamic, however, as new platforms may require and/or benefit from new battery configurations, both to support more range on a given platform, as well as reduce the price and improve quality and safety.

Our nickel manganese cobalt-based batteries have seen a significant price increase, while our lithium-ion phosphate battery based battery pricing has been more stable, leading us to push some of our new platform designs towards our lithium-ion phosphate pack options.

Beyond chassis and battery, we continue to work to diversify our supply chain and to evaluate bringing additional component production in-house.

Long lead times remain for components such as wire harnesses, electric power steering, and thermal management parts.

Turning to Slide 13, let's discuss our funding plans for the near future. We forecast that our current cash position is sufficient to fund our operations for the next 12 months, and we've shown great discipline in our CapEx spending, proving out our CapEx-light model.

Our corporate investments, thus far, have generated a great return in terms of quality products, expanded production capacity, and a committed team of industry experts. As we've stated before, we see opportunities for industry consolidation, and we intend to continue to invest in growing our team, our product portfolio and customer base.

So, we expect that, in the near future, we will take steps that will allow us to secure additional capital over the next year to continue making further investments.

And now, I'll turn it to Kash to provide an overview of the order backlog, sales pipeline, and key partnerships.

Kash Sethi

Thanks, Tim. I'll begin on Slide 15 to provide an update on our products, partnerships, pipeline, and backlog. I'm glad to report that we continue to sign new customers, receive repeat orders and grow the sales pipeline for our core products and market verticals, which are zero-emission cargo vans, delivery trucks, passenger vans, shuttle buses and school buses.

Our dealer network is expanding, and our strategic partnerships with market leading OEMs and specialty vehicle builders like Forest River and Collins have enabled us to engage with a wide range of customers by leveraging our partners' brand reputation and extensive distribution network.

Our sales pipeline as of July 31, 2022, was approximately \$1.8 billion and backlog was around \$169 million. Our order backlog includes all electric commercial vehicles, all electric powertrain systems and charging systems.

Our sales pipeline consists of over 600 individual sales opportunities, representing how we've been able to engage with a large number of customers, through a mix of direct engagement and dealer partners.

On Slide 16, we show some additional vehicle partnerships and applications, step vans, motorhomes and Type C school bus repowers in partnership with Blue Bird, transit bus and motorcoach repowers and an electric RV in partnership with Winnebago. We expect to see strong growth in these market segments, over the next 12 to 18 months.

We also continue to explore additional vehicle partnerships and look forward to sharing those details in the near future.

Now I'd like to turn to Slide 17 to discuss the forces that continue to drive the adoption of zero emission commercial vehicles: government regulation and mandates, grant funding programs and fleet sustainability targets.

California's ACT Regulation, Transit Rule, Airport Shuttle Rule and a 15 state MOU on zero emission vehicles are all delivering a very strong message to the market-the future is electric.

Beyond the mandates, state and federal governments are now providing even more funding to accelerate the adoption of zero emission vehicles. Programs like the Federal Transit Authority's Low or No Mission Vehicle Program and California's HVIP program are providing significantly more money this year than they ever have.

New mechanisms like the EPA's Clean School Bus program and Canada's ZETF and iMHZEV programs are all helping to expedite the industry's drive towards electrification. We've been able to leverage these programs to drive our sales pipeline.

These projects are expected to join our backlog in the next six to 12 months, due to the grant process and timelines. In addition, the recently announced Inflation Reduction Act's medium and heavy duty EV tax credit, if passed, should also accelerate adoption.

Lastly, many fleets continue the march towards electrification motivated by corporate sustainability goals. We also believe that recent increases in gas prices have accelerated the interest of many corporations looking to go electric, seeking lower total cost of ownership.

And with that, I'll turn it over to Teresa to provide an update on Lightning's financial results and outlook.

Teresa Covington

Thank you, Kash. I will now provide some commentary on our second quarter results, followed by our third quarter and full year outlook.

Beginning on Slide 19, for the second quarter, we generated revenues of \$3.5 million, which decreased 40% from the year ago period.

In the quarter, Lightning produced 74 vehicles and powertrains and sold 36 with some unit sales pushed out of the quarter, due primarily to customer financing delays.

Cost of goods sold on the quarter was \$4.9 million, compared to \$7 million during the prior year period, primarily due to lower revenues.

The gross margin percentage was minus 38% in the second quarter, compared to minus 19%, during the prior year period, primarily due to higher factory overhead and depreciation expense.

Inflation has been affecting our costs. Lithium and nickel raw material increases have led to higher battery cost.

Fabricated parts and electrical components have also risen in cost. We are also experiencing elevated logistics costs with higher transportation costs and expediting fees.

We increased our prices over the last few months on new quotes, and we'll be continually evaluating our pricing going forward, based upon cost inflation and pricing that we believe will drive EV adoption.

We remain focused on driving towards a positive gross margin through higher prices, fixed cost leverage on labor and overhead, volume purchases and cost reduction and operational efficiency, as we ramp production and our revenue grows.

SG&A in the second quarter was \$12.6 million, compared to \$16 million in the prior year period, which contained about \$9 million of one-time banking, legal and audit charges, associated with our becoming a public company that quarter.

Research and development expense in the second quarter was \$1.8 million, compared to \$743,000 in the prior year period, primarily due to higher engineering headcount to advance the development of new vehicle platforms and enhance our in-house engineering capabilities.

Total operating expenses in the second quarter were \$14.4 million, compared to \$16.8 million in the prior year period. The operating loss for the second quarter was \$15.7 million, compared to \$17.9 million in the prior year period.

Net income for the second quarter was \$35.7 million compared to a net loss of \$46.1 million, during the prior year period. The primary difference is non-cash gains from changes in value of derivative and earn out liabilities, compared to a non-cash losses from changes in those liabilities, a year ago.

The adjusted EBITDA loss for the second quarter was \$13.9 million, compared to an \$8.4 million loss in the prior year period. The change is primarily related to higher operating expenses in the current period.

A reconciliation of net income to the adjusted EBITDA loss can be found on Slide 21.

Turning to our balance sheet, Lightning ended the second quarter with \$125.4 million in cash and cash equivalents, which we believe is sufficient to fund our operations for the next 12 months.

Net inventory at the end of the second quarter was \$25.2 million, which included \$5.5 million of finished goods. The higher inventory level is in support of our second half production and includes the vehicles that were pushed out of the second quarter, due primarily to customer financing delays.

Turning to Slide 20, our outlook for the third quarter and the full year. While our battery supply challenges have mostly been mitigated in the near-term, we continue to experience supply chain challenges with certain chassis and other components. Delays associated with any of these components may impact the timing of revenue.

Based on current business conditions, we expect for the quarter ending September 30, 2022, vehicle and powertrain system sales to be in the range of 60 to 90 units, revenues to be in the range of \$7 million to \$10 million, adjusted EBITDA loss to be in the range of \$18 million to \$20 million and for the full year, vehicle and powertrain system sales to be in the range of 350 to 450 units, revenues to be in the range of \$35 million to \$45 million.

We project full year 2022 capital spending to be in the range of \$10 million to \$12 million.

Now, I turn it back over to Tim for closing remarks.

Tim Reeser

Thank you, Teresa. I remain very excited about the outlook for Lightning eMotors. Our team has taken on some unprecedented supply chain challenges and has worked hard to mitigate each one.

And we can now see improving results in some areas, notably, chassis and battery supply, leading to an acceleration of production and revenue guidance in our third and fourth quarters. Our industry is maturing and transforming, which is presenting us with opportunities through investments or acquisitions to achieve critical scale.

The recent increased government focus on our sector is clearly bullish, and the latest proposal in the Inflation Reduction Act targets a \$40,000 tax credit to the Class 4 through 6 truck and bus segment, where we lead the market today.

We have a clear vision, a solid near and long-term strategy with path to growth and profitability. The Lightning team is energized, passionate and focused moving--and focused moving with velocity towards a strong future.

With each day that passes, the barriers to widespread EV adoption in the commercial vehicle space are falling and the incentives are growing.

With less than 0.1% of the commercial market having adopted zero emission vehicles, we look forward to many years of strong growth, ahead.

I would like to finish by thanking all of our customers for their confidence in Lightning, our partners for their contributions to our company's success and our shareholders for their support. I especially want to thank our employees, who are executing at a high level through a challenging operating environment.

And with that, thank you, everyone, and I appreciate your time today. Operator, we are now ready to open the line for questions.

Operator

And to our listening audience, today, if you would like to ask a question over the phones, simply press "*" and "1" on your telephone keypad. Pressing "*", "1" will place your line into a queue. Also, a friendly reminder that if you're joining us today on a speaker phone, please return to your handset, prior to pressing "*" and "1" to be certain that your signal does reach our equipment.

Once again, that is "*" and "1" if you have a question.

We'll hear first, today, from Mike Shlisky at D.A. Davidson. Please go ahead.

Mike Shlisky

Good afternoon and thank you. I wanted to maybe touch first on your comments about looking at raising capital, going forward. I guess, a two-part question. One, do you see anything in the Inflation Reduction Act, assuming that it gets passed and signed, that might be of assistance to Lightning? I don't mean the actual substance of the vehicles, but just sort of funding for new production capacity. That's the first part.

Maybe the other part of the question is, if you have no acquisitions that get made and there's no major investments having to be made going forward, do you have a different capital need? Is there any kind of capital need at all, without any large projects you need to invest in from here?

Tim Reeser

So, I'll start, Mike, with the first question, which I think is very interesting. We, as probably many of our shareholders and you have been pouring over the Inflation Reduction Act with a lot of verbiage. I've read it twice and will admit there's still more to go.

So, what we see today, yes, it looks like both with some of the--leveraging some of the programs that we've seen in place for a long time with DOE loan programs, there may very well be opportunity. And so we'll certainly continue to look at that and continue to look at opportunities. So, to your point, there may be less traditional approaches to ensuring we continue to remain capitalized than others.

On the second approach, I think the answer is we are constantly evaluating this, in terms of, we know, we have big growth plans, the requirements around working capital. We continue to look and as you can imagine, those evolve. As we continue to grow, we get more leverage in some cases on AR and AP. In other cases with inventory, as we've all seen, it is very difficult.

I think I read one analyst say a couple weeks ago that anybody who successfully synchronizes their inventory just got lucky. So, I think we all have to recognize that there are some of these things we just--we'll continue to evaluate on almost a daily basis in terms of what we need, moving forward.

But we do expect, given our very aggressive growth plans that, at some point, we will need more capital.

Mike Shlisky

Okay--okay. Then I also wanted to ask about some of the customer expansion delay that happened during the quarter. I was looking for a little more color on that topic. Is it that the customer could not get any of their subsidy efforts straight in the quarter, or are it just straight up the bank that didn't deliver the check in time situation?

Tim Reeser

Yeah, in these specific cases, it was the latter. These were not subsidy delays. We've had those in the past, but these particular ones were not that. I do think some of the subsidy things are getting better.

But broadly, when you look at what's happened with interest rates, you can imagine many customers have needed more time to shop out their interest rates and to find good deals. And obviously, in general, some financing has become more complicated and harder to find, in some cases.

So, the combination of both the complexity of the capital markets right now and the debt markets, as well as the inflation, or interest rate increases has increased the time it takes. And so, a couple of these customers underestimated how much time they needed to get the paperwork signed.

As we indicated, some of that has now been solved, and some of those customers we've now billed and shipped. So, we certainly see some improvement, but I think we are in a very changing world in terms of customer financing, right now.

Mike Shlisky

Okay, the last one for me. One topic I've been hearing about recently on some of these calls this quarter has been about customer uptime. Can you share for us the trucks you've got on the road today? How's the up time been, compared to your reputations or your promises to customers or even compared to customer reputations or even better, the uptime compared to the ICE vehicles that these trucks are replacing?

Tim Reeser

So it's an interesting question and something we are spending a lot of time. It's one of the great parts we announced today, our telematics, our new Lightning Insights. And this is the next generation of that software product. And we track these vehicles, every second. So, we know not only are they in route, what are they doing, we know where they are.

We also know if we see anything, predictively, on the support or maintenance side and we see how they're being used, we see how they're being driven. We know the environments they're being driven. So, all of that, obviously, is informing what we see on uptime.

And now, we've got several years of that kind of data under our belt and are beginning to really formulate what we see.

The other thing, as you can imagine in the market, there's a lot of evolution, even from our products, as we've--three years ago, our products that are on the road from three years ago, we generally refer to those as a Generation 1 product. The products that are on the road today, often Generation 2, 3, 4, 5, depending on some of the changes.

And with each generation, we see significant improvements in reliability. And so, that's put us in a position today where some of our more mature products we see better than 95% uptime.

One of the complexities in commercial vehicles is there is no standard today on how uptime is measured. So, when we compare it to an ICE vehicle or to some of our commercial customers, we often ask them, how do they measure uptime? Because for example, do they include an uptime or downtime when they're doing service, like replacing the tires, things like that.

So broadly, we do see ourselves approaching and, in some cases, exceeding ICE vehicles, today. But certainly for most of the industry, whenever you have a new product, it takes a bit to get to that point. And it certainly has taken us a bit to get to the point, in terms of that. But we're very proud of the progress we've made and certainly, remain committed to continuing to improve quality at a very fast pace.

Mike Shlisky

Okay. Well, thanks for that color Tim. I really appreciate it. I'll pass it along.

Operator

Our next question will come from Sherif El Sabbahy at Bank of America. Your line is open.

Sherif El Sabbahy

Hi, good afternoon.

Tim Reeser

Good afternoon, Sherif.

Sherif El Sabbahy

Afternoon. I just wanted to, at first, get a little bit more color on the guide. So, I'm assuming your Q3 guide, does that include the units that were pushed out from Q2? And if so, should we expect the decline in units sold in Q3 or any lasting effect from financing?

Tim Reeser

It's a good question, Sherif, and I'd say, we're still evaluating that, by the day. We are--part of it is obviously, working with some of the customers to try to accelerate. Now that we understand and I think, markedly, we've gone through this transition where financing has taken--is taking longer now than it was, previously.

So, we've started getting in front of that much more, now that we understand the new timelines and starting to assist our customers more. So, we do think we can certainly improve and not hit the challenges we hit in the past.

But as we look at this quarter, some of those customers may still take a little bit longer to get their financing in place. Some of them have already solved their financing problems. So, we're evaluating that, day by day.

So, we know that some of our Q3 guidance does include partial shipping of some of those vehicles, as Teresa said that we've already built and are already in the whip inventory.

But at this point, we're not assuming that all of them complete their financing requirements get shipped in Q3. So, what we are indicating at this point is we expect them all to be shipped in either Q3 or Q4.

Sherif El Sabbahy

Understood. And then just looking at the backlog, it was growing until about the third quarter of last year, and then it's essentially been flat, over the last three quarters. So, if you could, could you give me a bit of detail there? Are you seeing cancellations offset new orders, or have you slowed intake? And given the large sales pipeline that's been in front of you guys, how has that remained flat for so long?

Kash Sethi

Yeah, hey, Sherif, that's a good question. Something we track every, every month really. It's a mix of both those things you mentioned. Sales cycles are long, and we are getting fairly close to some really exciting deals, over the next few months. Couple of quarters you'll hear about. So, backlog will jump up and down. In previous quarters, we've had a mix of both cancellations and new orders.

So, it's not that we haven't received new orders for three quarters, of course, not. We've received orders and shipped some of those new orders, already. Some of those other customers, the orders have maybe canceled either because incentive did not come through or because we wanted to charge a price after the inflationary increases that did not make sense for the customer, anymore.

We are really having a close look on which customers we want to convert and when, especially because there's a shortage of chassis in the industry. So, we're being somewhat selective on how to convert backlog to revenue.

I'm more focused on continuing to sign new customers, keeping the good customers we have. And right now, backlog is not holding us back. We have a lot of demand pent up that is high quality demand.

Customers want the vehicles now, and it's a matter of us executing on those new engineering programs, getting the right materials to deliver the product.

Tim Reeser

I'll add to that a bit, Sherif, because I think it's an important aspect. And that is when you look at many of these subsidy programs, often, they have timelines that are way out there. So for example, the school bus EPA subsidy program, the next time our customers who've been wanting to take advantage of that will receive notice that they receive the money is October.

So although we've done the sales work over the last year to get those customers teed up and in many cases, know we are expecting them to place an order, we won't get those purchase orders until they receive notification from the EPA in October.

So, there is a reasonable amount of our backlog that gets delayed or pent up because of while people wait to hear on the grant cycles. So, there's several of those significant grant cycles that are coming up in Q3 or Q4. So, as Kash mentioned in his dialogue, we do expect some of those to see an impact on our backlog, going forward.

Sherif El Sabbahy

Thank you. I'll pass it along.

Operator

And next, we'll hear from Colin Rusch at Oppenheimer. Please go ahead, sir.

Colin Rusch

Thanks so much, guys. As you move forward, and I know you guys continue to look at operational efficiency, but I'm curious, how much you're able to get out of the manufacturing facility as you continue to improve processes.

Tim Reeser

It's a good question, Colin. And I think what you're asking is, is there more efficiency to squeeze out of the manufacturing plant, moving forward. Am I understanding the question, correctly?

Colin Rusch

Correct, yes. And it seems like you're probably already making some progress on that already in terms of driving some of the cost efficiency separate from supply chain?

Tim Reeser

Yeah, I think one of the things that when people come see us--and it's been a little bit since we've had you out so, anxious to have you back out as well--but in the very recent, many of the things we started on a year ago. So we talk a little bit in our press release about things like cobots and additional automation equipment we've added to the floor. Those take a little bit for those to show up in cost of goods sold and thus, gross margin.

So, we've done a lot of those, but in terms of when--as you start to see the impact on gross margin, I think that shows up in the next several quarters, and there's still a lot more of that to do. So, we see a lot of opportunity.

Some of the videos we've showed, in terms of automation on the floor, in terms of labor efficiency, significant labor reduction to do each of the vehicles. And of course, there isn't an aspect of it that just comes from volume.

Every day as we do more, we get better at it, quite frankly. And everybody in the EV space, whether you're talking about us or some of the very large OEMs, are still in the early stage of this.

So, certainly everybody has opportunity to get better. And we see it, we're far enough in--we've gotten some real impact from it already, but some of that, most of that doesn't show up yet in cost of goods sold and thus, gross margin for probably the next quarter or two there. Teresa, anything you'd add to that?

Teresa Covington

Yeah, Colin, I think one of the other things to think about, too, is as we can get volume in the factory, will really help our labor efficiency. One of the things that the impacts that we see from supply chain, it's not just we don't have the parts, but we have to substitute a part, which means we have to get engineering involved, and it's very disruptive to the production floor.

We have parts that come in, but they come in late. So that in terms of trying to run and level load our factories, load them and then scale and grow them, we just--we have not been able to do that because of a lot of the supply chain issues.

So, as we look to the second half here, one of the things that we want to start looking at is, with the chassis and some of the inventory that we have is really seeing--start to see some benefits, if we can better level load the factory and get some volume--steady volume going through.

And as we do that, I think we're going to get a lot of labor efficiency and labor costs coming out of the product.

Colin Rusch

Perfect. Super helpful. And then, just given some of the activity that we've seen with folks trying to build electric platforms for the medium duty space and, obviously, you guys have developed a lot of important niches, but there's a bunch of folks that have made some promises to customers, and they're just not able to deliver on those promises.

I'm curious about some of the customer dynamics in terms of folks coming to you, seeing if you could possibly supplement or replace some of those other products that are not coming to market on time or in the way that folks had expected them to.

Tim Reeser

Yeah, it's a very good question, Colin, because it's been one of the disruptors that has stalled us in the past in the sense that many people go out and claim they're going to have a product.

And so, potential customers, during the course of the sales cycle, need to investigate all the potential options. And often, these vaporware products will promise features or benefits or prices that then make people take a pause on our products and so, the sales cycle ends up getting elongated, while these customers investigate, what I call vaporware comes from the software industry, instead of software vaporware is products that don't exist.

And thankfully some of that, as you point out, Colin, is starting to now fare it out of the system and starting to flow through. And so those customers now, we've got one customer who went down the road with one of these products that was too good to be true, spent two years with that potential partner, that potential partner never delivered. And they've now come back to us, and we're able to deliver.

And there's countless examples of this that we've seen, but it has certainly elongated our sales cycle, while customers go through this process of figuring out what's real and what's not, but as we continue to ship more vehicles and as many of these competitors continue not to ship, and some of this is important, even some of the big OEMs have made promises about what their products will do or be, or cost that are now starting to turn out to be maybe exaggerated or understated in some way.

And so, we are seeing that play out. We will be the beneficiaries of the customers who now come back and say, okay, you guys are delivering, other people aren't, let's go. So, we feel well positioned, but it has been painful in the sense that it is, significantly, increased the sales cycle in some cases. But we think we're nearing the end of that cycle.

Colin Rusch

Excellent. Appreciate it. Thanks guys.

Operator

And next, we'll take a follow up coming from the line of Mike Shlisky. Please go ahead. Your line is open once more, sir. Hello, Mr. Shlisky, are you there with us? You may have us on mute, sir.

Mike Shlisky

Yes, of course. That's just like me to do that. Thank you very much. Sorry about that. I appreciate you're taking my follow up question. I wanted to ask about the \$5 million school bus subsidy program that's out there. I always thought, and I even think that, Colin, first thinks that that Type A school bus is not a major area where we'll be seeing those subsidies go.

But it is Type C, that's the bigger ones that might be more important. And I kind of wonder if you're envisioning seeing more customer activity in the Blue Bird repowers and in the Collins Bus business at the current time.

Kash Sethi

That's a great question. So even taking EVs out, if you look at just gasoline and diesel school buses, Type A buses are 20% of the market and Type C buses are more like two-thirds, 67% of the market. So, just by looking at those facts, I would agree that more money will fund new Type C electric buses than Type A.

I do think that when it comes to EVs, there are, the split is not 20/67, it is more skewed towards A because smaller buses are more likely to run shorter routes, return to depot operations.

They're naturally a better fit for electric, but no doubt, Colin, we will see a lot more traction for Type C and Type D buses than Type A, but Type A is going to get enough love; 20% is big enough for us to get excited.

Mike Shlisky

Okay. And then it's fine to compare the repower, the Lightning eChassis and the Blue Bird eChassis, those three are the different sizes of different products in general, but when you get the volumes going on those, is there enough commonality in the parts then on those to provide for some appreciable scale, once all three are kind of humming?

Tim Reeser

Yes. And I think it's important to think that the base product, which is the powertrain, the way we make those powertrains, the software, for example, we share DC fast charging components with all of them. We share all our Level 2 componentry with all of them.

We share batteries of one sort or another across all those products, which means brackets and things like that share. All of those sort of components are shared. Obviously, in many cases, in some cases you can share a motor, in some cases you can't.

So, we have some commonality in the parts with motors, some that does require different motors.

With our batteries, it's generally just adding more batteries or having less batteries but thankfully, you're very shared in that scenario, as well.

And then for example, our digital-dash is a common product across all of our platforms. Our Lightning telematics, analytics, the controllers, the software, all of that is common across those platforms.

So yes, we have quite a bit of shared and where they aren't shared, there is common whether you look at them and, say, a sharing across applications or sharing across size.

So for example, in our case, our school bus product on a GM platform shares a significant--about over 90% of the powertrain is the same to a powertrain on a shuttle bus. So, you've got some and very similar again to the powertrain on a Class 4 work truck.

So, we have been very successful at creating and leveraging modularity and parts spend, common parts spend to allow ourselves as we get to scale--to Teresa's point--as we get to scale, we see the cost coming down dramatically and the labor and overhead absorption improving dramatically because of the success we've had in creating shared and modular platforms.

Mike Shlisky

Excellent. I'll leave it there. Thank you.

Operator

And our next question this afternoon will come from James Valan at Karner Blue Capital.

James Valan

Hi, how's it going? Good afternoon.

Kash Sethi

Great, good morning, James.

James Valan

I was just hoping you'd be able to provide some--maybe an update on the repower business. How has your customer reception been maybe, particularly, with Forest River--I guess Blue Bird might be a little too early. And kind of when would be the timetable when we would see that hit the income statement. Thank you.

Tim Reeser

Yeah, so, we have already seen some, so our first initial I mentioned in my dialogue, we've shipped our first repowers to some big brand Silicon Valley employees, shuttle opportunities as those groups have kind of come out early recognizing that the sustainability proposition around a repower is very compelling.

And the advantage of not having to buy a new vehicle certainly carries to both the bottom line, as well as sustainability proposition. So, we have seen an uptake in that. We've also seen a lot of interest from a pipeline standpoint.

But as a company, we also look and say, where is the bigger opportunity. And certainly, we've come out with our products that repower for our motor coaches and transit buses. And in some of those cases, there's a lot higher average sales price, and those vehicles tend to be on the road a lot more.

So, we still think we're in the very early stages with our customers of everybody understanding where repowers are.

The other thing is, I think we're in the early stages of customers accepting the current chassis limitations, as far as new chassis.

And so, many customers that hung out for a while thinking it was going to end in three months or six months and had waited to look at repower. And now, they're kind of coming to terms of the fact that they can't wait anymore and they're going to have to look at it.

So, we remain bullish, broadly, on repowering our ability to do it. But we're also practical about kind of where we think the uptake is going to be. And the fact that yes, as Kash said, the sales cycles in this industry tend to be a year long.

So, the fact that after announcing it just a quarter and a half ago, we already have delivered product is a good indication that we see good promise in it. But certainly it's going to take a little bit for it to flow through to income statement.

James Valan

Great. Thank you.

Operator

And ladies and gentlemen, this does conclude today's teleconference. We thank you all for your participation. You may now disconnect your lines and we hope that you enjoy the rest of your day.