

Lightning eMotors, Inc. NYSE:ZEV

FQ1 2022 Earnings Call Transcripts

Friday, May 13, 2022 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2022-			-FQ2 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.24)	(0.25)	NM	(0.32)	(0.95)	NA
Revenue (mm)	5.41	5.41	0.00	10.36	76.26	NA

Currency: USD

Consensus as of May-13-2022 6:47 PM GMT

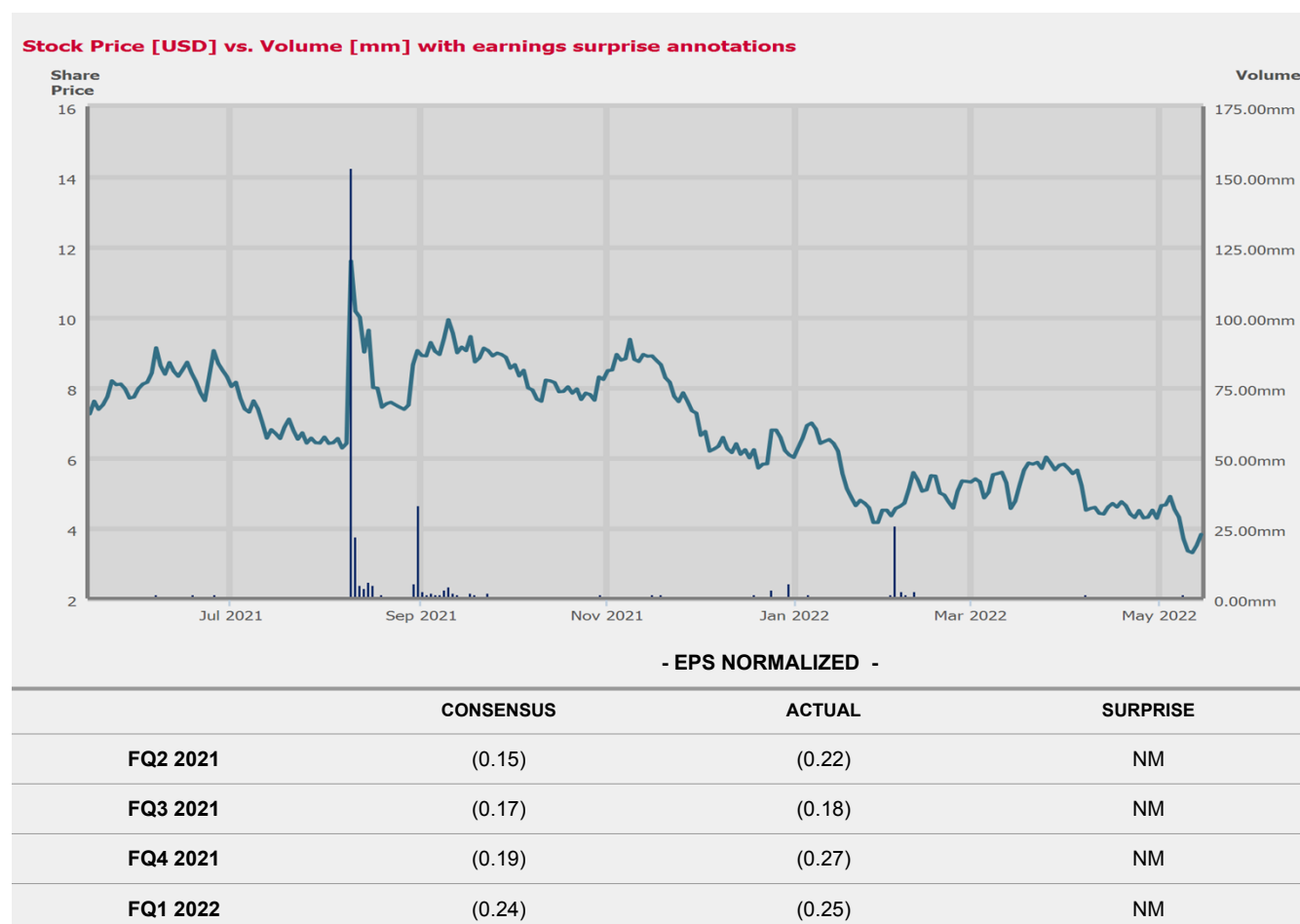


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Call Participants

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Presentation

Operator

Greetings, and welcome to the Lightning eMotors' First Quarter 2022 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Brian Smith, Vice President of Investor Relations. Thank you. Please go ahead.

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 first quarter 2022 earnings press release and presentation, which we will reference today. These can be found on the Investor Relations section of our website.

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 do not assume the 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.

Timothy Richard Reeser

Co-Founder, CEO, President & Director

Thank you, Brian, and thanks to everyone for joining us today. On today's call, we will be referring to the slides that were posted to the Investor Relations section of our website earlier 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 continues to be 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 are the only company currently shipping products in all of these classes today. We started in 2008 with a commercial vehicle hybrid solutions that have now shipped over 280 zero-emission vehicles with over 1.6 million miles of -- zero-emission miles driven by our customers. With every vehicle we ship and every mile our customers drive, our lead grows.

Moving to Slide 7. We have built a modular software and hardware architecture that allows us to serve a highly segmented and customized market with a cost-effective solution. 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 who do not have a business model but supports manufacturing electric vehicles for the medium-duty segment.

Moving to Slide 8. Earlier this week, Blue Bird unveiled its new Class 5 through 6 commercial Electric Truck Chassis that will be sold into the step van market for applications such as parcel and delivery, linen and uniform and bakery fleets and also into the motorhome market. We are proud that they have chosen Lightning to be their electric powertrain provider for this platform. This new chassis expands the market for both Blue Bird and Lightning. Blue Bird has a long history of making school buses, and this is their first Truck Chassis and because the chassis does not originate as an ice chassis, the chip shortage will not impact their availability.

Moving to Slide 9. We also announced earlier this week that we are partnering with Perrone Robotics to offer their autonomous driving technology as an integrated feature option package for all of our commercial zero-emission vehicles. Our autonomy solution is available today as a vehicle option package for commercial vehicle customers looking for added

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safety features such as LIDAR and radar based front collision avoidance as well as Level 4, which is driver optional autonomy, for campus and terminal fixed routes. Lightning's strategy is to continue to innovate with autonomous technology partners to provide commercial fleets with solutions they can leverage today to improve their efficiency and safety.

Moving to Slide 10. Let's discuss the supply chain landscape. Customer demand remains robust, but supply disruptions continue to limit our ability to service the demand. 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. However, major chassis OEMs have continued to struggle with a new round of publicly announced lengthy factory shutdowns of their commercial vehicle chassis plants. Because of these shutdowns, we expect these chassis availability constraints will continue for the next few quarters. Our sales, engineering, manufacturing and supply chain teams have been taking measures to adapt to these circumstances with announcements in the last quarter of certified repower products as well as new platform options with Blue Bird and GM and continued progress on our previously announced Class 4 Lightning eChassis.

While these new chassis and platform investments generally require long development cycles, several of our investments are already maturing as we expect to be in production with our GM offerings still this year and our Blue Bird Powertrain and Lightning eChassis in 2023. Our recently announced factory-certified repower offerings are seeing strong customer interest in the market with few alternatives. And although it is early in the sales cycle, we already have orders from 5 fleets and a growing pipeline.

Finally, we continue to grow our Lightning Energy business, which is not chassis dependent and has a healthy sales pipeline for our proprietary charging and energy solutions that are tightly integrated with our vehicles.

Over the last year, Lightning has made significant investments to diversify our supply chain through engineering and validation of new suppliers and components, and we have improved our supply chain management through additional team members and MRP systems, and we've worked to bring some component production capabilities in-house.

Despite these investments, though, risk remains in the supply chain, such as unexpectedly long lead items for supply of components like wire harnesses, electric power steering components and thermal management parts. Despite these limitations, though, we sold a record number of vehicles in Q1. It is important to note that we have not had any orders canceled due to the supply chain delays, rather revenue is being pushed to future quarters.

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

Kash Sethi
Chief Revenue Officer

Thanks, Tim. I will begin on Slide 12 to provide an update on products, partnerships, pipeline and backlog. Our core market verticals, all electric zero-emission cargo vans, delivery trucks, passenger vans, shuttle buses and school buses continue to drive the business forward. 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 an extensive nationwide dealer network. As a result, we continue to receive repeat orders and demand for these products are strong.

Our sales pipeline as of April 29, 2022, was \$1.5 billion, and backlog was \$167.8 million. Our order backlog includes all electric commercial vehicles, all electric powertrain systems and charging systems. Backlog generally comprises nonbinding agreements and purchase orders from customers. Sales pipeline consists of sales opportunities in various stages of our sales cycle prior to the receipt of a purchase order. Today, our sales pipeline consists of over 400 individual sales opportunities, representing how quickly our relatively new sales team has been able to engage with a large number of fleets through a mix of direct engagement and leveraging dealer partners.

On Slide 13, we show some additional vehicle applications and partnerships, ambulances, transit bus and motorcoach repowers, RVs and of course, the very recently announced partnership with Blue Bird to offer Class 5 and 6 step vans for last-mile parcel delivery, bakery and linen customers. We expect to see strong growth in these market segments over the next 12 to 18 months. We continue to explore additional vehicle opportunities and look forward to sharing those details in the near future.

Now I'd like to turn to Slide 14 to discuss the forces that continue to drive adoption of zero-emission commercial vehicles, government regulations 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 delivered a 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 emission vehicle program and California's HVIP program providing significantly more money this year than they ever have. New mechanisms like the EPA's Clean School Bus program are benefiting from the infrastructure investment and Jobs Act and are now active.

Lastly, many fleets continued their march towards electrification due to corporate sustainability goals. The recent increase in gas prices has accelerated the interest of many corporations looking to go electric, seeking our 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 P. Covington
Chief Financial Officer

Thank you, Kash. I will now provide some commentary on our first quarter results, followed by our second quarter outlook. Beginning on Slide 16. For the first quarter, we generated revenues of \$5.4 million, which increased 18% from the year ago period. During the first quarter, Lightning sold 68 vehicles compared to 32 vehicles and powertrains in the prior year period. Cost of goods sold in the first quarter was \$7.7 million compared to \$5.3 million during the prior year period, primarily due to an increase in revenues. The gross margin percentage was minus 43% in the first quarter compared to minus 16% during the prior year period primarily due to higher factory overhead and higher depreciation expenses related to recent investments in factory scale and productivity.

We experienced small increases in material and logistics costs in the first quarter but are seeing broader inflationary impacts across materials and logistics starting in the second quarter of this year. Costs are increasing on many parts, especially batteries and steel driven by increases in raw commodity costs and labor costs. We are working closely with our existing suppliers, identifying and qualifying new suppliers and driving our own product cost reduction efforts to partially offset inflationary increases.

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 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 first quarter was \$11.6 million compared to \$3.9 million in the prior year period, primarily due to higher administrative expenses related to being a public company. Research and development expense in the first quarter was \$1.9 million compared to \$648,000 in the prior year period primarily due to higher engineering headcount to advance the development and design of new vehicle platforms, refine and improve our production processes, perform product testing and enhance our in-house engineering capabilities.

Total operating expenses in the first quarter were \$13.5 million compared to \$4.6 million in the prior year period. The operating loss for the first quarter was \$15.9 million compared to \$5.3 million in the prior year period. Net loss for the first quarter was \$10.8 million compared to a net loss of \$27.4 million during the prior year period.

The first quarter of last year was impacted by a \$20 million noncash loss from the change in the fair value of warrant liabilities ahead of our going public in May 2021. The adjusted EBIT loss for the first quarter was \$14.5 million compared to a \$5.1 million loss in the prior year period. The change is primarily related to higher operating expenses in the current period. A reconciliation of the net loss to the adjusted EBITDA can be found on Slide 18.

Turning to our balance sheet. Lightning ended the first quarter with \$150.4 million in cash and cash equivalents.

Turning to Slide 17, our outlook for the second quarter. While our battery supply chain challenges have mostly been mitigated in the near term, we continue to experience supply chain challenges with chassis and other components. Delays associated with any of these components may impact the timing of revenue.

Based upon current business conditions, we expect for the quarter ending June 30, 2022, vehicle and powertrain system sales to be in the range of 50 to 75 units, revenues to be in the range of \$6 million to \$8 million, adjusted EBITDA loss to

be in the range of \$18 million to \$20 million. We continue to project full year 2022 capital spending to be in the range of \$10 million to \$15 million.

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

Timothy Richard Reeser

Co-Founder, CEO, President & Director

Thank you, Teresa. In closing, while in the near term, Lightning is experiencing the same supply chain headwinds as other companies in our space, we feel very confident in our longer-term outlook. As evidenced by our strong backlog, pipeline and the OEM relationships we have announced. In fact, we see the current industry disruptions, focus shifts and market transformations as bullish for our business in the medium and long term as we are well positioned with products, customers and experience.

In our view, Lightning stands out to our customers because of our ability to produce and deliver a full suite of unique vehicles and infrastructure solutions they require to run their fleets today. Further, we believe the opportunity for lightning in the EV industry remains robust with multiple drivers of ZEV adoption, including new sustainability and air quality mandates and billions of dollars of the new federal and state funding that will be available to fleets over the next year. With less than 0.1% of the commercial vehicle 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.

Question and Answer

Operator

[Operator Instructions] The first question is coming from Colin Rusch of Oppenheimer.

Colin William Rusch

Oppenheimer & Co. Inc., Research Division

Can we talk a little bit about the autonomy offering that you've got in terms of the L4 program and what the operating parameters are in terms of logistical systems, speed that you guys can navigate and just kind of the operating parameters and just to get a sense of what that market actually looks like right now?

Timothy Richard Reeser

Co-Founder, CEO, President & Director

Thank you, Colin, and it's great to hear from you and appreciate all of the very deep analysis you've provided, both for investors and the support you provide us. I personally have spent quite a bit of time with the Perrone Robotics product. and what we're doing in that partnership is something I'm directly interested in and working on. And I -- so far, I've been very, very impressed with that partner, and that's the reason we announced the partnership after spending quite a bit of time with what they've built on our vehicles. The -- from a speed, it supports a pretty wide variety of speeds, but the frank truth is in most of the applications that we see near term that we can monetize together today, most of those applications are less than 30 miles an hour. So that the use case is very safe and very simple in that sense.

When you think about, for example, a campus kind of shuttle that does employee shuttling around a large factory campus or around a large logistics terminal or a large university campus, you can imagine something that's going 20 to 30 miles an hour may hit a peak speed of 40 miles an hour is the same consistent route every day, doesn't have road construction. You can navigate a lot of the corner cases that today hold off the monetization of many other commercial cases, but we're great in these cases.

So we -- from a technology standpoint, the technology works today, I was driving in and riding in it, we have a joke that we can do a ride in a ride. We don't need to drive it, but it's an exciting technology. I've personally written it. I feel very comfortable. But I also see the safety features that it provides as Level 4. In order to make Level 4 work, you clearly have to have some very strong safety features that we're also using even in a Level 2 for some of the customers who still want to have a driver or may not have as much of a closed circuit, but are still interested in LIDAR and radar-based safety systems.

Colin William Rusch

Oppenheimer & Co. Inc., Research Division

And then just in terms of what the customer needs are, how they're evolving? Obviously, it's a pretty dynamic price environment, both on the cost side and on the vehicle price side. But certainly, as the industry gets a lot more real and be able to start delivering vehicles. I'm just wondering if there are adjustments in duty cycles, requirements that are shifting for you guys that may give you a little bit more of an advantage as you come to the table to negotiate terms?

Timothy Richard Reeser

Co-Founder, CEO, President & Director

Yes. I think, obviously, it's something we're working on every day. But one of the -- one of the advantages, as we all know from many of the other earnings calls that have happened is everybody is in the same boat. Everybody is having to reevaluate both general cost inflation, logistics. And so the customers are becoming a custom, even if you look at a nonelectric environment, so even in an ice environment, costs have gone up dramatically for commercial vehicles. And so the customers are now accustomed to this. It is a major change. Historically, the customers had a lot of power in the negotiations. And frankly, today, too much has changed. And so the customers have become accustomed to everything needing to be rediscussed and repriced. And so it's not a surprise as our -- every time when our sales and marketing teams enter those negotiations. We find people are reasonable about it. They understand where they're at. And in fact, most of our customers are doing that with their customers. Most of our customers, as we now have added when you think about logistics or last mile customers, they've added surcharges and fuel surcharges to their deliveries, et cetera. So it

certainly is a new world in that sense, but we do find that the ecosystem and the world around us and our customers are ready and able to address it and have a reasonable conversation around it.

Operator

The next question is coming from Sherif El-Sabbahy at Bank of America.

Sherif Abdul-Fattah El-Sabbahy
BofA Securities, Research Division

So my first question is really just with regards to the sales pipeline. With backlog sort of flat quarter-over-quarter and the sales pipeline as well. I was wondering if you could add some color on the conversion from that pipeline and how it's trended in the last few quarters?

Kash Sethi
Chief Revenue Officer

Yes, Sure, it's a good question. Obviously, we keep a close track on various sales metrics, pipeline backlog being one of them. Some of the metrics we track or a number of individual opportunities and where customers are on the sales cycle. Generally speaking, we have a lot of new customers that are engaged with us. A lot of them are in the early stages with smaller quantities. Typically, our sales cycle is anywhere between 3 months to 24 months, where in that process, the customer may need a demo vehicle for a couple of months to test it out. They may buy 5 units to just test it out for another 6 months or 9 months. And then after that, they move to commercial orders.

So we are engaged with a vast number of customers and a lot of that has not converted to backlog yet. It's not a linear graph that I expect quarter-over-quarter, but we do have some really exciting deals in the pipeline that will enter the backlog in the coming quarters.

Sherif Abdul-Fattah El-Sabbahy
BofA Securities, Research Division

And then just looking at guidance, it implies a pickup in ASP quarter-over-quarter. So with that, is that embedding some slightly better visibility on certain chassis product items? And then just longer term, how should we think about ASP once the eChassis becomes available?

Timothy Richard Reeser
Co-Founder, CEO, President & Director

So Sherif, it's a very good question and something we see. There's 2 variables to play with here in terms of the average sales price. One of them is the size, and we've talked about this kind of in the past a bit that the -- we carry a variety from a Class 3 to Class 7 product and the Class 7 products are significantly more expensive than a Class 3 product, primarily for the obvious -- the obvious point, you have bigger batteries and bigger components and more of them. So from that perspective, we do expect more and more of our business, and we're focusing more and more of our businesses into some of the bigger areas. But until date, especially the last 2 quarters, the chassis that have been available have been the Class 3 chassis.

So consequently, the ASP has been down over the last several quarters because of just the product mix. The fact that we've been able to get the smaller chassis more in the bigger chassis. But in the medium and long term, we expect that the growth to be and the bigger part of the growth to be in our larger chassis range. So consequently, a higher ASP for those products even if we're just selling a powertrain.

But to your point, as we go forward with so many more of the chassis being something that are on part of our invoice as opposed to the today, in many cases, it's just a powertrain, we do expect to pick up revenue from the chassis side moving forward, more of that. So 2 parts. We certainly expect the Powertrain business to move towards the more expensive powertrains in the larger vehicles, but also -- we also expect to pick up obviously some more of the chassis-based business as we move into the eChassis and products into 2023.

Operator

The next question is coming from Mike Shlisky of D.A. Davidson.

Michael Shlisky

D.A. Davidson & Co., Research Division

Have you at Expo this week? I was curious if you -- or Kash or anybody can give us some broad takeaways as to how it went and the level of fleet interest?

Kash Sethi

Chief Revenue Officer

Yes. I mean -- so I've been going through -- this is Kash. I've been good to that Expo for 5 years and that show has completely transformed from a show where you had one booth showing a zero-emission technology and every other booth showing propane or natural gas to now completely flip. It's all zero-emission. It's all battery electric. There's a lot of new hydrogen around. Pretty much every OEM is talking about EVs, a lot of it is forward-looking and it's all kinds of vehicle applications in the transportation industry. We had a great show. We had 3 vehicles in our booth. We had a school bus, we had a passenger van and we had the first GM Lightning electric truck.

Additionally, the Blue Bird booth is where they revealed their eChassis with our powertrain with our logos all over it. So we have presence in 2 different booths and 4 vehicles. Additionally, we had a vehicle in the ride-and-drive because contrary to many other competitors or OEMs doing other vehicle applications at the booth with the really flashy booth and marketing presence, but the vehicle doesn't run. Our vehicles run, so we were able to engage with a lot of vehicles. Hundreds of leads, hundreds of rides and drives. Overall, the show had 3x attendance, I believe, versus last time it happened.

So a very successful show for us. We really are able to address with the various customer types, government agencies looking for trucks, school bus -- customers looking for school buses, airports, transit agents looking for shallow buses and passenger vans. So really positive show I think.

Michael Shlisky

D.A. Davidson & Co., Research Division

Let's turn quickly to the balance sheet. Can you just us a sense guys whether you think you'll be increasing the cash burn from here, stable decreasing? And just any kind of thoughts as to what point you think you might be able to at least turn positive from a gross margin standpoint? Could be that really helpful.

Teresa P. Covington

Chief Financial Officer

Hi, Mike, Teresa here. We believe our cash and cash equivalents balance of \$150.4 million at the end of Q1 is sufficient to execute our business strategy over the next 12 months. We do believe that we're going to need to raise additional capital in the future to execute the strategy, and we continue to evaluate the capital needs and the financing options. As I talked about in my prepared remarks, we continue to focus on driving towards a positive gross margin for the business. The headwinds that we have on the supply chain there is kind of push back, some of the revenue growth that we're expecting. So as we talked about the key drivers to the positive gross margin are getting that fixed operating leverage that we think by ramping the production and growing our sales.

Michael Shlisky

D.A. Davidson & Co., Research Division

If I could just throw one more in there on the Blue Bird product coming up here. Can you had mentioned the idea of trucks of -- putting that chassis into a motorhome application, is that going to be a Blue Bird branded motorhome? Or could that be an existing Motorhome brand taking the Lightning/Blue Bird chassis with their own branded vehicle on top of it?

Timothy Richard Reeser

Co-Founder, CEO, President & Director

Great question, Mike, and it is the latter, meaning the way that the markets work today with these kind of chassis is the chassis vendors -- so kind of the comparable is many of the motorhomes today by a chassis from Freightliner, they buy a chassis from Ford. In this case, they will buy a chassis from Blue Bird and then they put their motorhome on top of it and branded with their motorhomes. So the great motor on manufacturers like Thor like Winnebago and Forest River, all 3 of them obviously are people we know well. And so consequently, there's some good relationships there to leverage. There

are also people who know the Blue Bird brand well. And they also are people that recognize the value that Blue Bird and Lightning already have, an ecosystem of spare parts and service partners and dealers throughout the United States to support the chassis and the powertrain that's already on the ground.

So this is something that the motorhome manufacturers they can integrate quickly. They can move very quickly to leverage this new product. And today, there's large constraints from the traditional chassis suppliers in this space due to various supply chains. So we've now got a product that can move quickly and these customers are looking for a new product in the space to solve some of their own supply chain constraints. So we're excited about it, and we believe it is very much something that will plug in and go at a very fast pace with those RV manufacturers.

Operator

The next question is coming from Steven Fox of Fox Advisors.

Steven Bryant Fox
Fox Advisors LLC

Apologies for the background noise. Two questions, please. First of all, on the retailer opportunities, I guess I'm a little curious why it's not moving more aggressively towards seeing fleets do a lot more repowering given how chassis lead times are long and look like they're going to stay long for a while? And can you just talk also about where the sweet spot is for repower in terms of age of vehicle and type of vehicle? And then I just want to make sure I'm clear, Teresa, on sort of EBITDA from here. It sounds like you're saying in the second half of the year, we could be looking at some higher EBITDA losses even if revenues were to go up slightly. I just want to make sure that directionally, that's what we're talking about.

Timothy Richard Reeser
Co-Founder, CEO, President & Director

So I'll start and then let Teresa follow with the EBITDA question. As far as repowers, we've long been -- and I've been a long advocate when you look at sustainability and you look at certain commercial vehicle markets where you've got a commercial vehicle, a chassis and a body that outlasts the powertrain consistently, that repowers or the right sustainability solution. They're the right economic solution. But as with any change, it takes a little bit to get through these commercial vehicle sales cycles. As Kash mentioned, they can run from 3 months to 24 months. So the fact that we already have our first 5 customers, we're already building our first repowered solutions for 5 major customers today and growing for something that really we just announced with several key partners here just in the last 2 months, I feel is moving at a very fast pace and is indicative of a very fast take up relative to how quickly this market usually accepts a change of any sort in technology or supply chain.

So I'm very bullish on it. And when I look at our pipeline -- our sales pipeline, the sales team is quickly seeing great traction. So yes, it takes a little bit, and we knew it would take a little bit to pick up just because of how long it takes these customers to look at a new product and evaluate it and make a decision. But in the relative sense of these commercial vehicle customers, we're very happy with the uptake and remain very, very bullish on it. And we see them exactly to your point, Steven, they see the need. But I think it's also important to note, many of the commercial vehicle customers didn't -- haven't really realized the shortage of chassis. Even though we've seen it coming for a while, many of them, it hasn't hit them yet until now. So this kind of recognition that, hey, commercial vehicle chassis are going to be constrained for a long time, is now really just setting in and allowing them to make a better decision on this front. So Kash, anything I missed on that you'd add?

Kash Sethi
Chief Revenue Officer

Yes. Just I think that the question was how -- what's the sweet spot in terms of age. The sweet spot is 5 to 8 years. A vehicle that's older than that may not have enough mileage, but everything in is really old. And we would hate to start or repower on a vehicle and find out a bunch of issues on the chassis of the body that have nothing to do with the powertrain, but it makes the repower less attractive. So typically, when we engage with fleets, we ask proven numbers, we ask for photos. We inspect the vehicles to make sure they are a good repower candidate, and that certainly adds a step in the sales cycle that doesn't exist in new vehicle sales, but it makes sure it's the right solution for the customer. So sweet spot, 5 to 7 years.

Timothy Richard Reeser
Co-Founder, CEO, President & Director

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And I'll hand the floor over to Teresa here now to talk about EBITDA.

Teresa P. Covington
Chief Financial Officer

Yes. So Steven, I think your question was really around the guidance. And with the supply chain headwinds we have, just giving guidance out through Q2 do have an adjusted EBITDA loss of \$18 million to \$20 million. We are expecting some higher operating expenses starting in Q2. We've made some investment with a new head count in the first quarter. Key areas that we've made some investments in new employees has been in our engineering team as well as our sales team and also just some higher professional services that we're expecting starting in Q2. We haven't provided guidance beyond that -- beyond capital for the full year in the \$10 million to \$15 million range.

Operator

The next question is coming from Michael Ward of Benchmark.

Michael Patrick Ward
The Benchmark Company, LLC, Research Division

Just a follow-up on the repower. So do you expect any unit deliveries in 2Q or in 2022? Or is it more a 2023 story?

Kash Sethi
Chief Revenue Officer

Absolutely 2022. We're still trying to figure out Q2 or Q3, but definitely between Q2 and Q3, we're going to be delivering some repower units. This is -- I'm expecting a bunch in Q4 as well.

Michael Patrick Ward
The Benchmark Company, LLC, Research Division

Okay. Now I just want to make sure I understand because it just from an outsider's perspective, it looks like you're casting a wider net as far as markets that you're focusing on with the Blue Bird terms and some of the other vehicles. When -- are you adding any complexity to your manufacturing footprint? Or is it all within the current system, do you need to accelerate increasing your production capacity? Where do we stand on that? Because it looks like if the supply changes, you could have a ramp-up or an acceleration in your production needs pretty quickly.

Timothy Richard Reeser
Co-Founder, CEO, President & Director

Yes. We see it exactly that way. And to your point, one of the things we've said is in a tougher market, we want to have more optionality. Both to manage the supply chain side. So as we've kind of said, hey, we want chassis options that are supply chain constrained from some of the traditional legacy OEMs, but also that we can make more margin and more revenue on. But we want other products. So we've talked in the past about our, for example, our mobile battery vehicle charger and our Lightning energy, which are not chassis constrained but are also enabled and enabling our vehicle sales. So obviously, there is, as Teresa said, some investment required to manage a broader product portfolio. The -- but in terms of our product portfolio, we then have to look out and say what manufacturing and what engineering do we need to support this broader portfolio. And so we have added additional flexibility and automation into the manufacturing line. We've also added additional engineers to support the broader product line. And then as you can imagine, and Teresa mentioned, field service as well, a broader product line and more vehicles in the field mean additional field service. But again, all of those provide us more optionality around the revenue side.

Michael Patrick Ward
The Benchmark Company, LLC, Research Division

Okay. And what did you mean when you -- I think you said with Blue Bird, it did not require -- it wasn't going to be subject to some of the chip shortages. What do you mean by that? Did I catch that right?

Timothy Richard Reeser
Co-Founder, CEO, President & Director

You did. You did, Michael. And the essence of this is today, many of the chassis are constrained because those chassis come today with a transmission control module that's been a major challenge for some of the legacy OEMs and other

onboard chips, when we with both our eChassis and the Blue Bird chassis, we've designed them without those chips purposefully to reduce or eliminate that constraint. So those -- in the cases of our eChassis because they don't start with an ice or a traditional powertrain in any way. And because we've been able to design them in such a way that they don't -- aren't chip constrained, we believe we will have far more flexibility and far more availability and much fewer constraints around the chassis availability for both the Blue Bird chassis as well as our own chassis.

Michael Patrick Ward

The Benchmark Company, LLC, Research Division

Okay. So the chips they use are not chips that are currently in shortage?

Timothy Richard Reeser

Co-Founder, CEO, President & Director

Correct.

Operator

The next question is coming from Craig Carlozzi of Longfellow.

Craig Carlozzi

Longfellow Investment Management Co. LLC

So when I think about your business, clearly, you have a lot of momentum. You have a strong market presence and obviously, technology that I think is quite receptive. But when I step back and I look at the cash burn on the business and the -- what sounds like a continuation, if not acceleration of the cash burn, to me, it looks like your options -- and I'm glad to hear that you do recognize that you do need some form of new capital. I guess my question is, as your \$151 million of cash declines on a quarterly basis, your options become more limited. So I guess my question is a couple of points. One, how much capital do you think you need for this business model to make it, let's say, 36 months? And then two, what type of capital are you looking for? I mean, your stock used to have an equity market cap of about \$750 million 9 months ago or 8 months ago in the world has changed and it's now \$150 million. And combined with the gross margin, simply staying in a negative territory with no real visibility, have you considered perhaps some type thing, something a bit more strategic where you can leverage off of somebody else's fixed cost structure and perhaps the equity can evolve into some type of private JV, where the equity doesn't effectively get eliminated or diluted to the extent where the upside really is not recognized by the current ownership?

Timothy Richard Reeser

Co-Founder, CEO, President & Director

And the answer to you -- I'll kind of start with the end of your question is absolutely yes. And we've announced in the past and spent some time in the past talking about our interest in being a consolidator in this market and continue to be very active in terms of what the options are. And certainly with everybody's market cap shrinking in the space and literally, everybody -- market cap -- shrinking the space with us over the last dramatically over the last 6 months, but certainly, in most cases, even over the last year for everyone. There's a lot more opportunity for consolidation and attractive consolidation in the space. There's also, when you look more broadly, not just across the EV space, but the traditional -- whether it's legacy OEMs or whether you look at all of the myriad really solid commercial vehicle OEMs, the rev groups and the shipped groups and many others like that. We see a lot of opportunity in the market for JVs, for consolidation for capital efficiency. And we purposely built what we've built in a modular way. So we have a lot of flexibility, can partner with a lot of different people and really extend out in a capital-efficient way.

So we remain confident in our -- as Teresa said, for the next 12 months, we look good, but we're also actively looking at how do we invest that capital and what other capital might we gain to invest in a very accretive way that is exciting to the market and transformative in the market. Not just in a way of continuing to get there. Now obviously, we do -- we're very focused on how do we get to gross margin. And so I don't -- I kind of humbly disagree with the statement that there's no line in sight for that. We aren't able to be specific on it, but we are very focused on it, and we do have a line in sight. But probably, to your point, to get there quickly, it's all about getting to volumes, all about getting to critical mass.

And so the sooner we can get to critical mass and volumes, the sooner our margin goes positive because we need, like everybody else, to maximize the efficiency and maximize the use and the overhead of our manufacturing facility that's built and ready to go. So from that perspective, exactly to your point, JVs can drive that kind of volume. And I think you've

seen that you can probably read between the lines with some of our very extensive partnerships we've already announced both recently and in the last 12 months, that there's a lot of very deep relationships and deep activity and discussions going on in the space. And it's mutual in all the cases, everybody is looking for how do you get to critical mass and we're focused on it.

So -- and then finally, your last question, what does it look like over 36 months because of all of that change, obviously, it's very different in certain situations as you look at how the JVs play out and who's spending the capital and who's not, you have a variety of different scenarios that can play out. So we aren't being specific today in terms of what we need over 36 months but we remain very focused on exactly to your point, how do we get quickly to gross margin? How do we get quickly to critical mass and how do we leverage the relationships that we're building and have built with key partners and players in the space? And how do we look broadly consolidation? So my personal opinion, consolidation is going to happen quicker than most people think. And it's going to be more much broader in this space than most people think because there's a lot of very traditional commercial vehicle players in the space that add a lot of value. And so -- and a lot of supply chain, a lot of vertical integration opportunity.

Operator

This concludes today's question-and-answer session. We would like to thank you for participating in today's teleconference and for your interest in Lightning eMotors. You may now disconnect your lines or log off the webcast at this time. Thank you, and have a wonderful day.

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