



stem

August 3, 2023

Q2 2023 Financial Results

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This presentation, as well as other statements we make, contains “forward-looking statements” within the meaning of the federal securities laws, which include any statements that are not historical facts. Such statements often contain words such as “expect,” “may,” “can,” “believe,” “predict,” “plan,” “potential,” “projected,” “projections,” “forecast,” “estimate,” “intend,” “anticipate,” “ambition,” “goal,” “target,” “think,” “should,” “could,” “would,” “will,” “hope,” “see,” “likely,” and other similar words. Forward-looking statements address matters that are, to varying degrees, uncertain, such as statements about financial and performance targets and other forecasts or expectations regarding, or dependent on, our business outlook; the expected benefits of the combined Stem/AlsoEnergy company; our ability to secure sufficient and timely inventory from suppliers; our ability to meet contracted customer demand; our ability to manage supply chain issues and manufacturing or delivery delays; our joint ventures, partnerships and other alliances; forecasts or expectations regarding energy transition and global climate change; reduction of greenhouse gas (“GHG”) emissions; the integration and optimization of energy resources; our business strategies and those of our customers; our ability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the effects of natural disasters and other events beyond our control; the ongoing conflict in Ukraine; the expected benefits of the Inflation Reduction Act of 2022 on our business; and future results of operations, including adjusted EBITDA. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to our inability to secure sufficient and timely inventory from our suppliers, and provide us with contracted quantities of equipment; our inability to meet contracted customer demand; supply chain interruptions and manufacturing or delivery delays; disruptions in sales, production, service or other business activities; general economic, geopolitical and business conditions in key regions of the world, including inflationary pressures, general economic slowdown or a recession, increasing interest rates, changes in monetary policy, instability in financial institutions, and the prospect of a shutdown of the U.S. federal government; the direct and indirect effects of widespread health emergencies on our workforce, operations, financial results and cash flows; the ongoing conflict in Ukraine; the results of operations and financial condition of our customers and suppliers; pricing pressures; weather and seasonal factors; our inability to continue to grow and manage our growth effectively; our inability to attract and retain qualified employees and key personnel; our inability to comply with, and the effect on our business of, evolving legal standards and regulations, including concerning data protection and consumer privacy and evolving labor standards; risks relating to the development and performance of our energy storage systems and software-enabled services; our inability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the risk that our business, financial condition and results of operations may be adversely affected by other political, economic, business and competitive factors; and other risks and uncertainties discussed in this presentation and in our most recent Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC. If one or more of these or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. Forward-looking and other statements in this presentation regarding our environmental, social, and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking environmental, social, and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. Statements in this presentation are made as of the date of this presentation, and Stem disclaims any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events, or otherwise, except as required by law.

Non-GAAP Measures

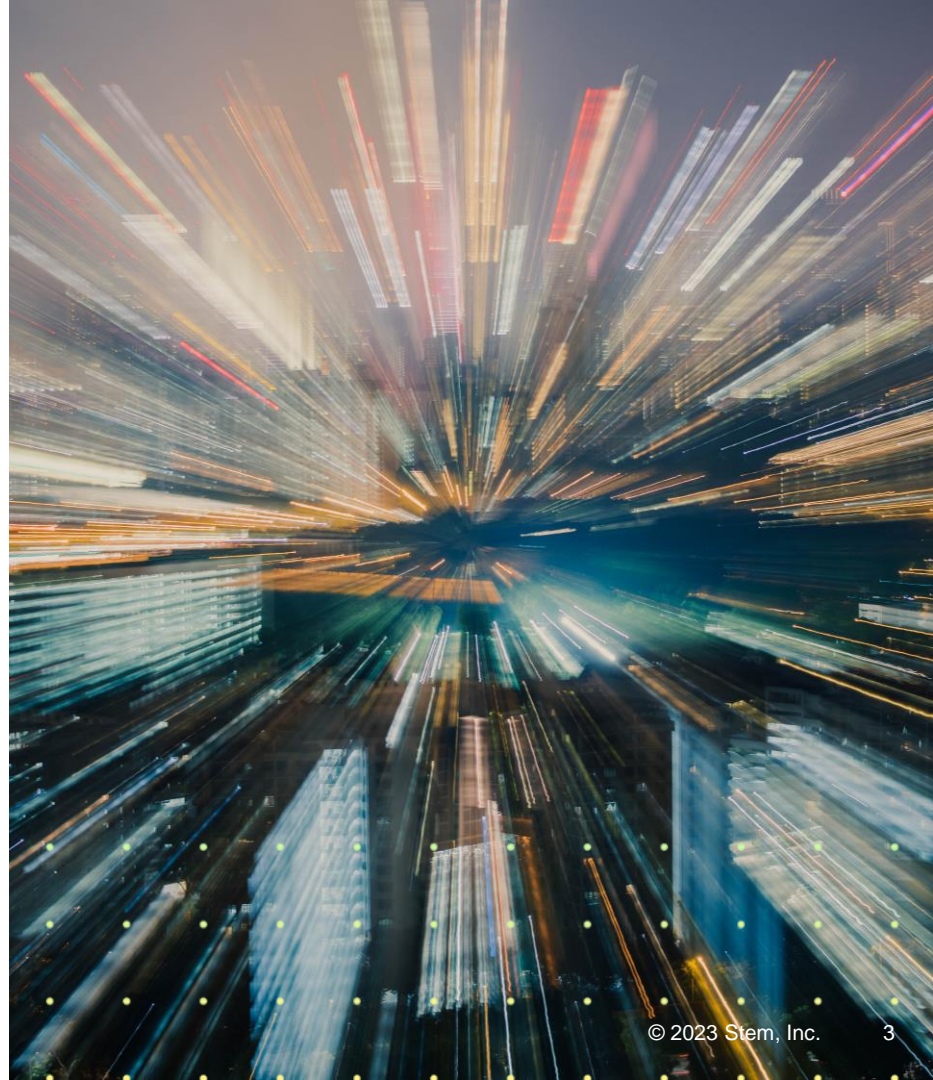
In addition to financial measures in accordance with U.S. GAAP, this presentation includes references to non-GAAP financial measures, including adjusted EBITDA, non-GAAP gross profit and non-GAAP gross margin. We believe these non-GAAP measures provide useful supplemental information regarding certain financial and business trends relating to our financial condition and results of operations. We also believe that these non-GAAP financial measures provide an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial performance with other similar companies, many of which present similar non-GAAP financial measures to investors. These non-GAAP financial measures are in addition to, and should not be considered superior to, or a substitute for, financial results prepared in accordance with GAAP. Non-GAAP financial measures should not be considered in isolation and are subject to significant inherent limitations. The non-GAAP measures presented herein may not be comparable to similar non-GAAP measures presented by other companies. Reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures are included in the Appendix to this presentation.

Industry and Market Data

In this presentation, Stem relies on and refers to certain information and statistics obtained from third-party sources which it believes to be reliable, including reports by market research firms. Stem has not independently verified the accuracy or completeness of any such third-party information. This presentation may contain trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners.

Agenda

- Second Quarter 2023 Highlights
- Commercial Execution
- Business Updates
- Technology Leadership
- Financial and Operating Results
- Key Takeaways



Second Quarter 2023 Results & Highlights

Strong revenue growth and solid margins drive improved adjusted EBITDA

Strong Q2 Momentum

Revenue

\$93M

+39% YoY

Bookings

\$236M

+5% YoY

Contracted
Backlog

\$1.36B

+88% YoY

Contracted Annual
Recurring Revenue

\$75M

+5% QoQ

Adjusted
EBITDA

\$(9)M

GAAP/Non-GAAP

Gross Margin

13% / 18%

Q2 Highlights



Q2 revenue above midpoint of guidance; Services revenue +11% QoQ



Reaffirming full-year guidance; continued Services revenue growth, visibility from 2H backlog



313 MWh Ameresco and 304 MW Hungary transactions highlight large deal momentum; average FTM site size 2x YoY



Continued technology leadership evidenced by AI Breakthrough and Environment + Energy awards

On track to achieve adjusted EBITDA positive in 2H 2023

Robust Demand Drives Margin Expansion

Service revenue growth from differentiated offering

Strong 11% growth in Services revenue

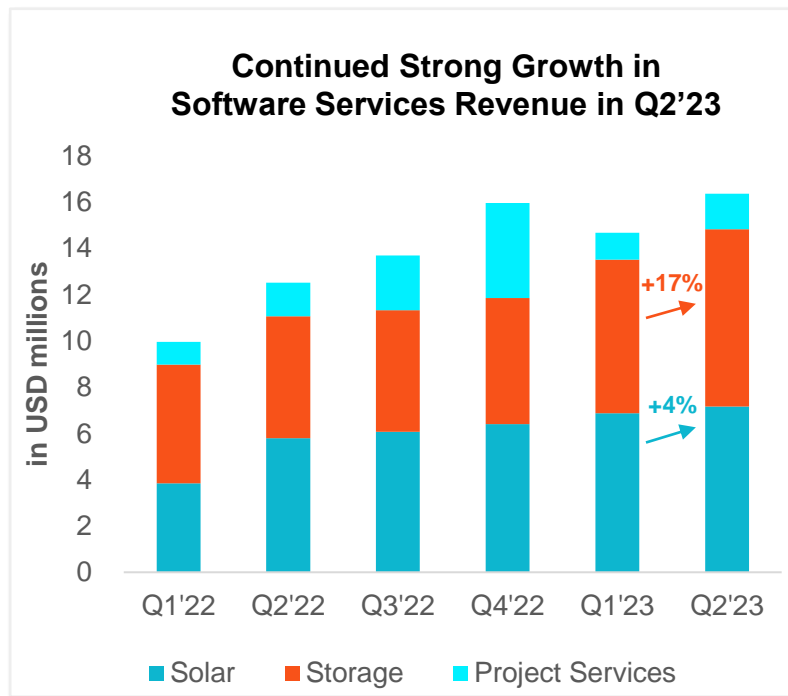
- Software Services Revenue +10% QoQ
- Expect Project Services to increase in 2H'23 based on project timing

Gross margins continue to improve

- GAAP: 2Q'23 13% vs. 2Q'22 12%
- Non-GAAP: 2Q'23 18% vs. 2Q'22 17%
- Improvement driven by system commissioning, strong solar revenue and increased market participation revenue

Demand trends strong

- Clarity on Inflation Reduction Act provides improved visibility on project economics and momentum with co-op / muni end market



Business Updates



Storage: Ameresco project highlights FTM momentum

- 78 MW / 313 MWh installation, expected to be in service 2024
- Demonstrates increasing strength in: (1) large scale deployments and (2) co-op / muni market
- Hardware / software / services scope with upside potential from wholesale energy market participation
- Follows recent Ameresco project with Stem in Colorado (Holy Cross) awarded Top Project by Environment & Energy Leader

Solar: Recovery on track

- Total Solar Services revenue +9% QoQ;
Solar software services revenue +4% QoQ; AUM +0.4 GW QoQ
- 304 MW Hungary project demonstrates increasing FTM success
- Strong software renewal rates and backlog growth of 39% YoY



AI Technology Leadership

Customer proof points and industry recognition drive pricing power



Best Predictive Analytics Platform

AI Breakthrough, June 2023

“Athena’s footprint and the myriad data points that constantly hone its machine learning algorithms result in a vast and growing repository of real-world data that simply can’t be replicated.”

2023 Top Product of the Year

Environment + Energy Leader Awards, July 2023

“[Athena] is a game-changer... The analytic sophistication is providing real value for customers and helping to scale renewable and clean technologies.”

Athena continues to win recognition as the best-in-class AI software platform advantaged by:

Training from one of the largest proprietary datasets in the industry

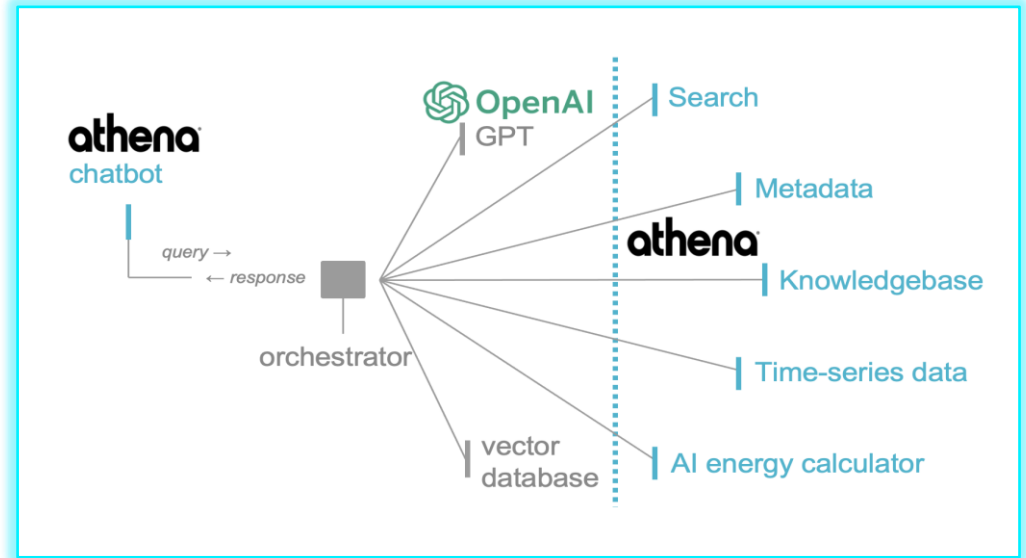
Significant track record across multiple generations of hardware, 75+ utility jurisdictions and the entire RMI wheel

AI Technology Leadership

Leveraging AI tools to drive operational efficiency and increase customer value

Best positioned to leverage predictive analytics and generative AI tools to drive operational leverage

- Deliver scalable professional service offerings via technology
- High throughput iteration of AI-assisted trading strategies in the wholesale energy market
- Up to 50% boost in coding productivity experienced by Stem software engineering team using AI tools in 1H 2023; accelerating product roadmap

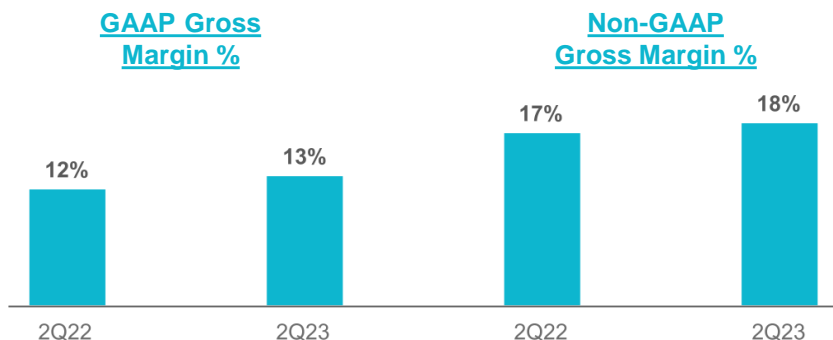
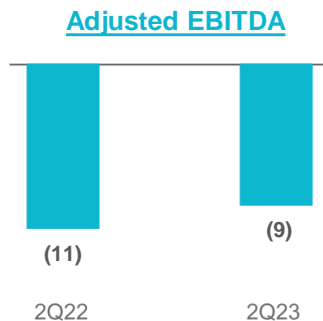
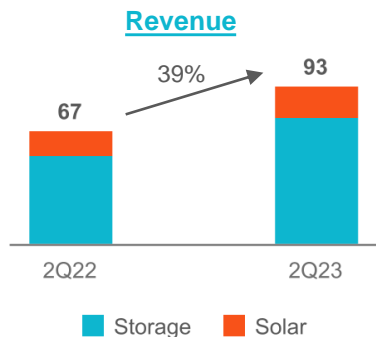


Financial and Operating Results

Financial Metrics

Revenue, Adj. EBITDA and GAAP / Non-GAAP Gross Margin

Period ending June 30, \$ millions unless otherwise noted



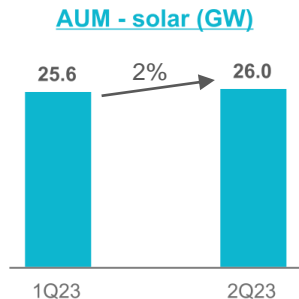
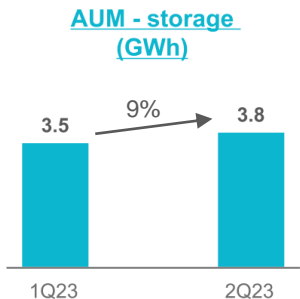
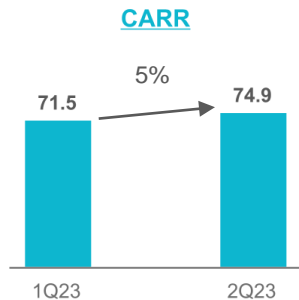
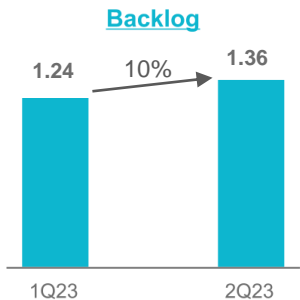
Q2 Highlights

- Revenue up 39% YoY in Q2'23
- Continued improvement in GAAP/Non-GAAP Gross Margin and adjusted EBITDA; fifth consecutive quarter of Software Services growth
- Driving operating leverage:
 - Cash operating expense as percentage of revenue of 33% in Q2'23 vs. 36% in Q2'22
 - Continue to expect <25% cash opex as % of revenue for FY2023

Operating Metrics

Strong Momentum in Backlog, CARR and AUM

Period ending June 30, \$ millions unless otherwise noted



See appendix for definitions

Backlog, CARR and AUM Growth

- Backlog +10% QoQ / +88% YoY, driven by strong end market demand
- CARR up 5% QoQ; on track for year-end guidance of \$80 - \$90M
- Storage AUM up 9% QoQ, continued commercial success
- Second consecutive quarter of Solar AUM growth; 75%+ of customers agreed to migrate from legacy platform

Reaffirming Full-Year 2023 Guidance

	2023E:	Q1'23A	Q2'23A	Q3'23E	Q4'23E
Revenue	\$550M - \$650M	\$67M	\$93M	\$165M- \$195M	\$230M- \$290M
	15–20% Non-GAAP Gross Margin	19%	18%		
Bookings	\$1.4B - \$1.6B	\$364M	\$236M	\$350M- \$425M	\$450M- \$575M
Adj. EBITDA	2023E: (\$35)M - (\$5)M	CARR		Year-End 2023E: \$80M - \$90M	

Key Takeaways

Reaffirming full-year 2023 guidance

Strong second quarter results:

- Revenue above midpoint of guidance and strong gross margin results
- Continued strength in Services revenue growth +11% QoQ
- Solid solar backlog growth of 39% YoY and accelerating renewal rates

Building momentum for a strong year:

- Robust end market demand with significant large FTM deals executed and in pipeline
- Record contracted backlog at \$1.4B with consistent CARR growth
- Demonstrated technology leadership with continued third-party validation
- Expect to exit the year with strong balance sheet and positive EBITDA in 2H'23

Building the leading clean energy intelligence platform

Q&A

About Stem

Stem (NYSE: STEM) is a global leader in AI-driven clean energy solutions and services.

Stem (NYSE: STEM) provides clean energy solutions and services designed to maximize the economic, environmental, and resiliency value of energy assets and portfolios. Stem's leading AI-driven enterprise software platform, Athena® enables organizations to deploy and unlock value from clean energy assets at scale. Powerful applications, including AlsoEnergy's PowerTrack, simplify and optimize asset management and connect an ecosystem of owners, developers, assets, and markets. Stem also offers integrated partner solutions to help improve returns across energy projects, including storage, solar, and EV fleet charging.

[For more information, visit \[www.stem.com\]\(http://www.stem.com\)](http://www.stem.com)

Appendix

Financial and Operating Metrics

\$ millions unless otherwise noted

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$93.0	\$66.9	\$160.4	\$108.0
GAAP Gross Profit	11.9	7.7	12.9	11.4
GAAP Gross Margin %	13%	12%	8%	11%
Non-GAAP Gross Profit	16.4	11.3	31.5	17.9
Non-GAAP Gross Margin %	18%	17%	18%	17%
Net Income (Loss)	19.1	(32.0)	(25.7)	(54.5)
Adjusted EBITDA	(9.5)	(11.1)	(23.2)	(23.9)
Operating metrics				
Bookings	\$236.4	\$225.7	\$599.9	\$376.5
Contracted Backlog	\$1,364.3	\$726.6	\$1,364.3	\$726.6
Contracted Storage AUM (GWh)	3.8	2.4	3.8	2.4
Solar Monitoring AUM (GW)	26.0	32.1	26.0	32.1
CARR	\$74.9	\$57.6	\$74.9	\$57.6

See slide 20 for reconciliation of non-GAAP financial measures to most directly comparable GAAP measures.

Supplemental Revenue Detail

Solar - Supplemental Revenue Detail

\$ millions unless otherwise noted

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Solar Hardware Revenue	\$9.9	\$6.9	\$16.8	\$11.7
Solar Services and Other Revenue	8.7	7.2	16.7	12.0
Total Solar Revenue	\$18.6	\$14.1	\$33.5	\$23.7

Services - Supplemental Revenue Detail

\$ millions unless otherwise noted

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Solar Software Services Revenue	\$7.2	\$5.8	\$14.1	\$9.7
Storage Software Services Revenue	7.7	5.3	14.3	10.4
Project Services Revenue	1.5	1.5	2.7	2.4
Total Services Revenue	\$16.4	\$12.6	\$31.1	\$22.5

Reconciliation of GAAP and Non-GAAP Gross Profit

\$ millions unless otherwise noted	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$93.0	\$66.9	\$160.4	\$108.0
Cost of Revenue	(81.1)	(59.2)	(147.5)	(96.6)
GAAP Gross Profit	11.9	7.7	12.9	11.4
GAAP Gross Margin (%)	13%	12%	8%	11%
Adjustments to Gross Profit and Margin				
GAAP Revenue	\$93.0	\$66.9	\$160.4	\$108.0
Add: Revenue Constraint	--	--	10.2	--
Subtotal	93.0	66.9	170.6	108.0
Less: Cost of Revenue	(81.1)	(59.2)	(147.5)	(96.6)
Add: Amortization of Capitalized Software	3.3	2.6	6.3	4.7
Add: Impairments	1.2	1.0	2.1	1.8
Non-GAAP Gross Profit	16.4	11.3	31.5	17.9
Non-GAAP Gross Margin (%)	18%	17%	18%	17%

stem We define non-GAAP gross margin as gross margin excluding amortization of capitalized software and impairments related to decommissioning of end-of-life systems and including constrained revenue.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

\$ thousands	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income (loss) attributable to Stem	\$19,122	\$(32,019)	\$(25,656)	\$(54,502)
Adjusted to exclude the following:				
Depreciation and amortization	12,609	12,910	24,567	21,806
Interest expense, net	3,903	2,691	5,680	5,909
Gain on extinguishment of debt, net	(59,121)	--	(59,121)	--
Stock-based compensation	9,920	6,467	17,122	12,732
Revenue constraint	--	--	10,200	--
Change in fair value of derivative liability	2,576	--	2,576	--
Transaction costs in connection with business combination	--	--	--	6,068
Litigation settlement	--	(1,127)	--	(727)
Provision for (benefit from) income taxes	491	(7)	400	(15,220)
Other expenses	1,021	--	1,021	--
Adjusted EBITDA	\$ (9,479)	\$ (11,085)	\$ (23,211)	\$ (23,934)

We define Adjusted EBITDA as net loss before depreciation and amortization, including amortization of internally developed software, net interest expense, further adjusted to exclude stock-based compensation and other income and expense items, including revenue constraint, transaction and acquisition-related charges, litigation settlement, and income tax benefit.

Definitions

Item	Definition
Bookings	<p>Total value of executed customer agreements, as of the end of the relevant period</p> <ul style="list-style-type: none">• Customer contracts are typically executed 6-24 months ahead of installation• Booking amount typically includes:<ol style="list-style-type: none">1) Hardware revenue, which is typically recognized at delivery of system to customer2) Software revenue, which represents total nominal software contract value recognized ratably over the contract period• Market participation revenue is excluded from booking value
Contracted Annual Recurring Revenue ("CARR")	<p>Annual run rate for all executed software services contracts including contracts signed in the period for systems that are not yet commissioned or operating</p>
Contracted Backlog	<p>Total value of bookings in dollars, as reflected on a specific date</p> <ul style="list-style-type: none">• Backlog increases as new contracts are executed (bookings)• Backlog decreases as integrated storage systems are delivered and recognized as revenue
Contracted Assets Under Management ("AUM")	<p>Total GWh of storage systems in operation or under contract</p>
Solar Monitoring AUM	<p>Total GW of solar systems in operation</p>
Hardware Revenue	<p>Payment for initial purchase of system, which is typically recognized at delivery of system to customer</p> <ul style="list-style-type: none">• Total Hardware Revenues = Total Deliveries (kWh) x Project Hardware ASP (\$/kWh)• ASP / margin based on value added services including hardware selection, project design and interconnection / permitting advisory and warranty design and compliance
Software Revenue	<p>Recurring SaaS payment driven by storage assets under management (AUM)</p> <ul style="list-style-type: none">• Total Software (Recurring) Revenues = Total AUM (kWh) x Software subscription (\$/kWh/month)• SaaS contracts range up to 20 years comprising recurring monthly payments
Market Participation Revenue	<p>Revenues from monetization of energy storage capacity into energy markets and VPPs secured by contracts ranging up to 20 years</p> <ul style="list-style-type: none">• Total Software (Variable) Revenues = Total AUM (kWh) x Stem's Market Participation Revenues (\$/kWh)
Project Services	<ul style="list-style-type: none">• Professional services and revenue tied to Development Company investments

The background of the image is a solid black field covered with a uniform grid of small, white, circular dots. The dots are arranged in straight horizontal and vertical lines, creating a pattern similar to graph paper or a dot matrix.

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