

# Workhorse Group Inc. NasdaqCM:WKHS

## FQ1 2020 Earnings Call Transcripts

Wednesday, May 06, 2020 2:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2020-			-FQ2 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS (GAAP)	(0.13)	0.06	NM	(0.13)	(0.51)	(0.23)
Revenue (mm)	0.00	0.08	-	3.07	25.68	159.27

Currency: USD

Consensus as of Apr-28-2020 1:53 PM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS (GAAP) -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2019	(0.09)	(0.61)	NM
FQ3 2019	-	(0.17)	NM
FQ4 2019	(0.10)	0.02	NM
FQ1 2020	(0.13)	0.06	NM

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# Call Participants

## EXECUTIVES

**Duane Hughes**

*CEO & Director*

**Robert Harry Willison**

*Chief Operating Officer*

**Steve Schrader**

*Chief Financial Officer*

## ANALYSTS

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research  
Division*

**Gregory Robert Lewis**

*BTIG, LLC, Research Division*

**Jeffrey David Osborne**

*Cowen and Company, LLC, Research  
Division*

# Presentation

## Operator

Ladies and gentlemen, greetings. And welcome to Workhorse Group's First Quarter 2020 Investor Conference Call. As a reminder, this conference call is being recorded.

It is now my pleasure to introduce your host, Workhorse Chief Operating Officer, Dr. Rob Willison. Thank you. Dr. Willison, you may begin.

## **Robert Harry Willison** *Chief Operating Officer*

Thank you, operator. And good morning, everyone. We appreciate you taking the time to join us for our call. Before the market opened, we issued a press release with our first quarter results for the period ended March 31, 2020, a copy of which is in the Investors Relations section of our website. Workhorse is releasing financial results today as well as its quarterly filing on Form 10-Q.

In a few moments, I'm going to turn the call over to our CFO, Steve Schrader, who will walk us through our financial results for the quarter. After that, our CEO, Duane Hughes, will provide an update on our businesses as well as provide an outlook for the remainder of the year.

Before we begin, I want to call your attention to our safe harbor provision for forward-looking statements that is posted on our website and is part of our quarterly update. The safe harbor provision identifies risk factors that can cause actual results to differ materially from the content of our forward-looking statements. Our 2019 Form 10-K and other periodic filings on file with the SEC provide further detail about the risk factors related to our business.

And with that, I would like to turn the call over to our CFO, Steve Schrader. Steve?

## **Steve Schrader** *Chief Financial Officer*

Thanks, Rob. And thank you to all who are joining us for today's call. This morning, we issued a press release which discusses the results of our operations for the quarter. Additionally, as Rob just mentioned, we filed our Form 10-Q today. I recommend going through both materials to get more color on some information being discussed today.

Now to our financial results for the first quarter ended March 31, 2020. As many of you who have been following Workhorse are aware, and as we indicated on the last earnings call, we shared with you that the COVID-19 virus delayed some material component shipments 4 to 6 weeks. Those delays moved our first deliveries to the second quarter, which is why we have no meaningful revenue in this quarter.

Sales for the first quarter of 2020 were recorded at \$84,000 compared with \$364,000 in the first quarter of 2019. Cost of goods sold increased to \$1.7 million from \$1.4 million in the first quarter of 2019. The increase is primarily driven by increase in tooling costs for the C Series production.

Selling, general and administrative expenses increased to \$5.6 million from \$2.1 million in the same period last year. The increase in selling, general and administrative expenses was due primarily to increases in consulting expenses, higher employee-related costs and the \$1 million payment related to ST Engineering Hackney for acquisition of certain

assets.

Research and development expenses increased to \$1.9 million from \$1.4 million in the first quarter of 2019. The increase in research and development expenses was primarily due to finalizing the design of the C Series.

Other income was \$865,000 compared to \$0 in the first quarter of 2019 due to additional shares received for the LMC investment related to our anti-dilution provisions.

Interest income increased by \$14.8 million, with \$13 million of income in this quarter compared to an interest expense of \$1.8 million from the same period last year. The significant increase in interest income was due to the mark-to-market adjustment for warrants issued to lenders and the change in fair value of our convertible note, both based upon a lower stock price at quarter end compared to 2019 year-end. Finally, net income was \$4.8 million compared to a net loss of \$6.3 million in the first quarter of 2019.

As of March 31, 2020, we had cash, cash equivalents and short-term investments of \$16.8 million compared to \$23.9 million as of December 31, 2019. You may have seen last week, we filed a Form S-3 registration statement, commonly referred to as a shelf offer, to give us the ability to raise capital in the future once the registration statement is effective. This is a procedural move as our previous S-3 had expired. As we mentioned in the previous call, we continue to pursue with various parties a credit revolver, which we believe is the best matched with our current capital need of ramping up our truck production.

With that overview completed, I'll now turn the call over to our CEO, Duane Hughes, to discuss some of our major operational updates and provide an outlook for our business in the current quarter and for the rest of the year.

**Duane Hughes**  
*CEO & Director*

Well done, Steve. And welcome, everyone. We appreciate you joining us on our call this morning. Our remarks today will be a bit briefer than our prior call, given not much time has passed since our year-end update a little over a month ago, which is not to say that we haven't been busy. As many of you know, because we provide vital support and infrastructure for the transportation and delivery sectors, we have been deemed an essential service, allowing us to continue working safely throughout the period.

At a high level, in the first quarter, we completed several major road map objectives, which have us well positioned to execute on our production time line as well as improve our long-term corporate governance and competitive positioning, all of which I plan to elaborate on more fully.

Moving to production. As Steve mentioned, at the outset of the COVID-19 pandemic, we experienced a series of supply chain disruptions that pushed back our expected initial delivery date from Q1 to our current quarter. Having said that, we are pleased to report that we are still on track for the second quarter time line. In addition, I'm reiterating our guidance of 300 to 400 delivery trucks produced in 2020 as long as our supply chain remains intact and we obtain the financing that Steve discussed earlier. Obviously, like every other business, we have a limited visibility on the total industry impacts of the virus as many states are still under stay-at-home orders and other states are just beginning to allow some businesses to open.

Because of the progress we've made to date and the comfort we have with respect to our supply chain and production capabilities going forward, we held, in partnership with Ryder, several successful ride-and-drive events with key fleet customers. As a result of the success of those events, I'm happy to share that we are now officially in the final stage of preparing a detailed production plan of when we can deploy vehicles into Ryder's systems sales channel starting in 2020 and into 2021. We recently released a video on our website and through social media showing initial production at our

Union City factory. Our employees are excited about getting up the production learning curve and ramping up production to meet our targeted units this year as well as increasing that in 2021.

I now want to update you on an area that has suddenly become a very hot topic and we believe a strong business opportunity for us, our HorseFly delivery drone business. Over the past year, there has been a growing interest in our ground-based delivery vehicles with their integrated HorseFly drone capabilities as America and the global economy have become increasingly reliant on online ordering and at-home delivery. This interest has ballooned due to the COVID-19 virus, the individual stay-at-home orders and the general feeling that some of these changes may have a permanent impact on the last-mile delivery sector. With this need in mind, we began privately working in a coordinated effort with a select group to identify solutions that help emergency medical workers in our health care system at large.

In late April, we partnered with UPS and Virginia's Center for Innovative Technology in tests evaluating the use of commercial drones. It is important to understand the ability to provide scale of small unmanned aerial systems to support various use cases to assist the U.S. health care system in expediting their response during the COVID-19 crisis. During our testing in Virginia, we flew 54 missions with our patented truck launch HorseFly package delivery system. Data collected is being used to determine how private sector drone operators can effectively supplement emergency response in certain patient care. Findings and recommendations will be included in a report to the White House, and we look forward to continuing our work based on the feedback from that review process.

We believe our systems' low-touch standoff delivery capabilities will help save lives. We've made hundreds of autonomous drone deliveries in the National Airspace System over the last 4 years using our proprietary technology, combined with our all-electric delivery vehicles. We have a comprehensive understanding of the benefits provided by a drone delivery when speed counts. In the last several months, we've also seen significant and growing interest and use cases beyond emergency response. We are hearing from many businesses that this transition is not a temporary one, and that we need to adapt to a new normal. With this industry shift in mind, we also believe there is now a more immediate need to protect our assets and related intellectual property in this field.

As some of you may know, Workhorse currently holds a patent for operating parcel delivery aircraft from the top of delivery vehicles. Additionally, earlier this month, we filed a provisional patent application, which further protects the HorseFly unmanned aerial system, or UAS, and several of the systems' key components and capabilities, including its ground control station, winch delivery mechanism and aircraft structure. We feel strongly that all Workhorse electric delivery vehicles with their integrated drone capabilities are the most economical and efficient last-mile option currently available, making our solutions important today and critical in future applications. Going forward, we plan to build on our early leading position and we'll continue to evaluate beneficial partnerships as well as IP protection strategies and accomplish the goal.

During the quarter, we also made some material improvements to our corporate governance and production oversight through the appointment of 2 automotive industry veterans to our Board of Directors. We welcomed Jacqui Dedo and Pamela Mader to our Board. Both Jacqui and Pamela have direct experience in the key areas Workhorse needs to continue in our transition to full scale production. Jacqui brings over 30 years of global automotive, off-highway, industrial and aftermarket experience to Workhorse, having held various leadership positions at Piston Group, Dana Holding, Motorola and Robert Bosch Corporation as well as 2 decades of Board membership experience across a variety of automotive, transportation and nonprofit organizations, including her current Board seat at Cadillac Products. She also has a proven background in managing full P&L responsibilities for major business units and entire companies responsible for up to \$2 billion in revenue.

Pamela Mader has over 3 decades of automotive industry experience with a proven track record in leading Fortune 100 manufacturing organizations as well as supporting the development of emerging growth companies through various business advisory services. Pamela spent over 15 years at General Motors in a variety of leadership roles, including numerous Plant Manager positions, where she directed operations for manufacturing of hundreds of thousands of vehicles annually. Jacqui's and Pamela's combined automotive experience at Fortune 100 companies managing major

vehicle production efforts will be invaluable to Workhorse as we look to ramp up our capacity during the second half of this year. We look forward to the new ideas and fresh perspectives that will come from our improved corporate governance structure. With their additions, our Board has now expanded from 6 to 8, including 7 Independent Directors.

Looking ahead, while the rest of the world continues to monitor the latest updates on the global virus spread, we too are continuing to proactively implement all-health and safety guidelines recommended by the CDC, the World Health Organization and other regulatory authorities. At this point, we feel cautiously optimistic that we are moving past the disruptions to our supply chain. Again, as an essential business under the government's guidelines, we will continue to operate as long as we can do so in a compliant manner, while taking good care of our people's health and safety.

I want to personally thank each and every member of our dedicated Workhorse team as we move forward carefully and deliberately. We remain committed to supporting our customers, employees, investors and other key stakeholders as best we can during these unusual times.

In conclusion, I'll provide a brief comment, as we always do, with respect to the United States Postal Service Next Generation Delivery Vehicle program. Under our NDA, Workhorse is only able to provide information which is already in the public domain. As has been the case throughout this process, any further information or announcements will be issued by the postal service. We appreciate the continued interest we receive, and we'll provide updates to the market as we are able. We do not have any updates to share at this time.

That concludes my prepared remarks. Thank you all for your time this morning. We look forward to updating you on our progress going forward, and we're now ready to open the call for your questions. Operator, please provide the appropriate instructions.

# Question and Answer

## Operator

[Operator Instructions] Our first question comes from Greg Lewis with BTIG.

### **Gregory Robert Lewis**

*BTIG, LLC, Research Division*

Duane, I was hoping you could talk a little bit more about HorseFly. I mean, clearly, this -- the medical is maybe accelerating the demand for drone delivery systems. But just kind of curious -- 2 real questions around here. The first being, is that -- it's -- I would think that, that is accelerating the pace for residential deliveries. Any color you can provide around that. And then the second part is a little bit more challenging. Is there any way to think about how these increasing in drone deliveries could maybe flow through the P&L? Like we're not giving Workhorse any credit for that at the moment. I'm just kind of curious, as we think about 2020 and maybe the right way to think about it is 2021. Really, how should we be thinking about this in terms of it benefiting the bottom line at Workhorse?

### **Duane Hughes**

*CEO & Director*

Well, I appreciate the question, Greg. And I may include Steve here as our CFO and on this answer. But from a drone acceleration perspective, you are correct. While the COVID-19 virus and the emergency medical response has clearly brought more execution needs to the front of mind awareness, if you will. That is really helpful in driving the commercial business segment of the drone technology as well. As you know, our technology and the patent that we own is really based on last-mile delivery and a truck-launched drone capability. And we always viewed that from the beginning as being a differentiator for us to allow us to, I'll say, enter into the market more quickly than perhaps others working on drone technology. That's because of the visual line of sight rules that exist today and our ability to have a vehicle that's within a certain distance of every house in America every single day of the week.

Now with that said, there are clear visions for going beyond visual line of sight, and there are ways through the FAA to make that happen, which include our commercial package delivery-type customers getting their Part 135 certifications as well as another requirement is that the drones themselves have to go through a type certification process with the FAA to actually execute in a true beyond visual line of sight option. So the testing we did in Virginia allowed us to: one, demonstrate our wherewithal and our capability to execute on those things. And of course, with the audience that was included in Virginia as well as in other testing that we've done in the more than 300 flights that we've done over the last couple of years, that demonstrable proof of performance, if you will, I'll say, further separates us and provides us advantages from the commercial fleet perspective of not just how well we can execute drone deliveries but how we can penetrate the market even more quickly than others because of the truck-launched drone capability.

As far as -- well, let me ask before I move to the next question. Does that respond to your drone acceleration question, the exponenting nature?

### **Gregory Robert Lewis**

*BTIG, LLC, Research Division*

Yes. That was perfect. That's perfect.

### **Duane Hughes**

*CEO & Director*

Okay. Good. I might ask Steve to jump in here, too, but we are, of course, working on the different business plans and options that we have as we continue to work to monetize the drone delivery. From the very beginning of that drone development strategy, it was always tied to trucks for us, right? We see it as adding value and demonstrating our differentiators and supporting our ability to help us, in the end, sell more trucks and reach scale more quickly.

Back to the acceleration question. Yes, we believe that the commercial's business's interest in now drone technology will further support our sales on the truck side. But individually as drone technology by itself, Steve, you want to jump in and...

**Steve Schrader**

*Chief Financial Officer*

Yes. Greg, we're not going to get into obviously '20 and '21 impacts of the drone. I think what -- based on what Duane said, what I will say is we feel that we have a very -- there's a very strong business case out there for both the drones by themselves and drone attached to the truck and the ability to sell even more trucks with the drone and -- for actually commercial and governmental customers, so -- hopefully in the future when we can get a lot more involved with it. But the actual -- if you've seen out there, Goldman Sachs has said, this is a \$100 billion market, even -- that's a several-year study. I think it was several years ago, that actually took place, that study. And that was at the time, they felt it was \$100 billion market. So it's already bigger now. And just a small slice of that and, again, there's not a lot of players out there that have the abilities we have at all to do it or let alone maybe going down a certification round.

So hopefully, that answers your question.

**Gregory Robert Lewis**

*BTIG, LLC, Research Division*

Yes. I guess my follow-up would be around the delivery guidance, you held it unchanged at 300 to 400 units. I guess, kind of, how could you -- how should we be thinking about the low end versus the high end? Is that something where the pace -- I guess my question is, given the challenges around COVID-19 in Q2, that -- now that is continuing to be ongoing, is there some sort of ramp-up that we need to start to see over the next 3 to 4 months in terms of -- is that really what's going to dictate whether we're at the low end or the high end of that range? Is that maybe the way to think about it?

**Steve Schrader**

*Chief Financial Officer*

Yes, Greg, I think it's exactly the way to think about it. I think we obviously will be making trucks here in the second quarter and delivering trucks in the second quarter, but at a smaller scale. We're just starting. We're just kind of ramping up now. You can think of the third quarter being higher than that and the fourth quarter being the highest quarter of all. So -- but from that standpoint, again, it is dependent on how COVID reactions are out there in the supply world. What we have seen so far is we -- it seems like most of our vendors have weathered the storm. We've had some delays in testing, just the testing facilities being open, but that hasn't -- that shouldn't stop any second quarter deliveries. But I think for the most part, and also just having the money to do it, too. We're -- and we've talked about it, and I think I talked about it earlier. We are out there looking for a credit revolver, which we think is the perfect complement kind of ramping up the facilities, too. And we're talking to parties right now, and we expect to hopefully have something in the second quarter on that as well.

**Operator**

Our next question comes from Craig Irwin with Roth Capital Partners.

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research Division*

I hope everybody is well at Workhorse and your families, of course.

**Duane Hughes**

*CEO & Director*

Thank you.

**Steve Schrader**

*Chief Financial Officer*

Thanks, Greg.

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research Division*

Can you maybe share a little color with us? I was impressed that you maintained your guide of 300 to 400 units this year. Other EV truck companies are saying that customers don't have the right number of people in the office, the processes on the customer side are a little bit sticky and moving more slowly and are using that to kind of moderate expectations this year. You guys are very straightforward, 300 to 400 was your original guidance, you're reiterating. Obviously, you're hearing something from your customers that gives you confidence. Can you maybe share with us what you're looking at? And if there is potentially any factors that could drive this higher or lower that we might be looking at before the end of the year?

**Steve Schrader**

*Chief Financial Officer*

Thanks, Craig. It's a good question. I -- from our standpoint, it's not so much a customer side. For one, we have the backlog out there in the first place with UPS and DHL. And the second standpoint, I think we already talked about working with Ryder on trying to get a production schedule and a sales channel with them. So we are not seeing any customer -- if anything, we're seeing customers very positive about our trucks, and it's more how soon can we get them. And so that comes back to 300 to 400, and that's actually manufacturing them and delivering them.

**Duane Hughes**

*CEO & Director*

And to your point about -- and this is Duane. You started out with the idea of many people working from home and so on. And as we mentioned in our script earlier, we are -- we have been deemed an essential business, which has given us some capability to have production-level staff working from the office to allow us to, I'll say, make lemon out of lemons, by otherwise them having to be at home. And so we have -- we do have about half of our staff working from home, the other half working here in the office. So we, again, have been looking at the positive side of things and saying, how can we be pushing forward? So we can reiterate our guidance, and we can meet what we're saying we're going to do.

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research Division*

That's excellent. That's really good to hear. Changing subjects a little bit. Like many people on the call, we're kind of looking at Lordstown Motor Corp. as potential upside to the company, right? It's a call option that could be worth a lot of

money on a successful execution over there. In the quarter, you had, what, \$800,000, \$900,000 benefit on the P&L from anti-dilution provision with them issuing you shares. That's a good thing because it kind of points to them raising capital. Can you maybe share with us anything that you're able to on the capital raise over at Lordstown? And at what point would we expect the 1% payment on their debt and equity raise to potentially come to Workhorse?

**Steve Schrader**

*Chief Financial Officer*

Craig, this is Steve. I -- because LMC is a private corporation, we really can't get into that. I think we direct you to actually talk to people at LMC themselves. From a standpoint of 1%, that is again dependent -- any of the -- whether the capital raise or the sale eventually of the trucks and our cash that we'll see from that is also dependent on when they do those things. So again, you'd have to ask them those questions, again, being a private company, and we're just a 10% owner of them.

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research Division*

Understood. So then the next series of catalysts for you guys are likely to come from not just the initiation of production but the orders that result from people being able to see vehicles as competitors successfully executing and knowing that it's costing them a lot less money on a levelized basis. Can you maybe share with us what you're doing -- or what you have been doing to sort of fertilize the ground for these orders that are likely to come from other potential customers out there that might not have made commitments yet? Are there several conversations in discussion? What level of maturity would you say these conversations have? And would you expect potential additional orders from new customers before the end of the year?

**Robert Harry Willison**

*Chief Operating Officer*

Yes. This is Rob Willison. We're starting off with 1,000 cube vehicle that's in production. Currently, we have orders for the 1,000 and the 650, which we'll begin the 650 variant later this year. It utilizes all the same components and it's a nice modular solution. We've had inquiries from several large fleets for refrigerated versions, and we're kicking off that effort now. We won't probably see that until later this year, but there's been a single zone, bill zone, refrigerated, frozen requests for trucks. So it's taking a very solid platform and beginning to broaden its appeal to different fleets and last-mile deliveries.

**Duane Hughes**

*CEO & Director*

When you speak to the size of the vehicle, in the -- what was traditionally called the Class 5 step van-type world, right, these are still step vans in some ways, right, with the opportunity to expand beyond the traditional fleets who use them not just because of the electrification, but because of our ability to size them properly for the duty cycle at hand. So something as small as 200 cube, all the way up to 1,200 cube, these vehicles are able to be sized properly, but not just size, to accommodate other needs from other types of last-mile delivery companies, as Rob said, whether it's in that retail space of perhaps food delivery and so on.

**Robert Harry Willison**

*Chief Operating Officer*

So one more is, currently, fleets are using ProMasters and other vehicles with the 280, 300-ish cubic feet. And what they're finding is it's not enough space to go out on an all-day trip or they need more space to accommodate the goods. And so our 650, in particular, at almost the same weight as a 280, 350 cubic foot metal truck, because it's all composite, is as economical to operate. That gives the fleet operator more cubic feet to deliver goods.

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research Division*

Great. So one of the questions that has come up many times with investors in the last couple of weeks is your supply chain. People are constructive on you guys being able to operate through this pandemic and the issues at that range. But the supply chain is also very important for you to be able to execute on your backlog for this year and then the nice ramp that we're looking at for next year. Can you maybe talk to us a little bit about the conversations you're having with your suppliers? Is there anything that's going to impede the C650 or C1000 actually getting out nice volumes over the next number of months and quarters? And then specifically, the post office, I know it's got a different flavor to the supply chain, given that you're talking a very different vehicle. But what do you feel the ability of that supply chain is to flex and allow you to deliver many thousands of vehicles over the next number of quarters?

**Steve Schrader**

*Chief Financial Officer*

Craig, I think on the supply chain, I think from a standpoint of our vendors, I think it helped in initial stages for us that we had a good majority come from the United States, in the first place. So even -- although we had the initial 4 to 6 delay on a couple of components that were international, by concentrating on the U.S., I think it helped us a lot.

Now with the caveat that Duane already kind of talked about, you can't know exactly what the future will hold exactly with the virus or even with some of the state orders and stuff like that. I think we feel pretty comfortable with our vendors and where they're at. They seem to have weathered the storm.

Regarding the post office, again, I think that's something that Duane also mentioned that we really can't say anything more than what he said from a standpoint of the NDA we've signed with them.

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research Division*

So you can't talk about the capabilities of a supply chain to serve the post office? Is that off-limits?

**Steve Schrader**

*Chief Financial Officer*

I would think it's a similar supply chain that would supply the current trucks that would supply a post office vehicle.

**Duane Hughes**

*CEO & Director*

Yes. We insulate, I'll say, the supply chain by repurposing components across all those platforms I talked about earlier. So when I mentioned something, or as Rob said, he mentioned like a ProMaster van being used for delivery, something as small as that 200 cube all the way up to 1,200 cube. What we're doing is we're, I'll say, repurposing components as best as possible, which is a significant amount of those components across all these platforms, which allows us to protect ourselves from having to have separate supply chains across the board for those different platforms. So we're comfortable that -- to Steve's point, as long as the suppliers in our supply chain weather this storm as they seem to be doing quite well, we're comfortable that we're doing -- we're making the right moves to allow us to achieve victory across the board all the way to profitability for us in the future.

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research Division*

Excellent. And then just to check one detail, the RFP for the post office is due next Friday now? Is that correct?

**Duane Hughes**

*CEO & Director*

Again, because we're under -- not just NDA, and I think the post office did publicly announce the date of the post -- of the RFP. So you can go back and check that online. But nothing -- we're unable to discuss anything about the post office as it relates to any RFP response and so on.

**Craig Edward Irwin**

*Roth Capital Partners, LLC, Research Division*

Okay. Understood. They did say publicly, it was May 15. So I hope that everybody at the post office is well, and this doesn't get pushed due to COVID. Congratulations on the strong progress.

**Operator**

[Operator Instructions] Our next question comes from Jeff Osborne with Cowen and Company.

**Jeffrey David Osborne**

*Cowen and Company, LLC, Research Division*

A couple of questions on my end, if I could. Steve, I was wondering if you can give us an update on the discussions if anything has changed over the last month. If my memory is right, you were seeking \$40 million or so for a credit revolver. Just in light of corona, I wasn't sure if bank's willingness to lend or interest rates relative to the prior call have meaningfully changed?

**Steve Schrader**

*Chief Financial Officer*

No, really, there's no change. We are finding parties that are interested, and we're in discussions with them now. So we'll go forward on that.

**Jeffrey David Osborne**

*Cowen and Company, LLC, Research Division*

Do you think that's something that you'll have details on by the next earnings call? Or -- I'm just trying to get a sense of perspective and how much you need that to then execute on the 300 to 400?

**Steve Schrader**

*Chief Financial Officer*

I believe so. I think we have enough money right now to get through the second quarter. So -- but I hope to have some sort of facility in place by the end of the second quarter.

**Jeffrey David Osborne**

*Cowen and Company, LLC, Research Division*

Got it. And then speaking of money, there's been some pressure on publicly traded companies to return the PPP funding. And looking at the Q, it looks like you still have that. Is that the case?

**Steve Schrader**  
*Chief Financial Officer*

Yes, we still have it.

**Jeffrey David Osborne**  
*Cowen and Company, LLC, Research Division*

Got it. And then in terms of -- I think the last call as of a month ago or so, there was a discussion from Duane about having the capability of producing 2 trucks a day. I didn't know if you could just update us on Union City: a, do you have the staff to do that? I think you said you were going to start in April after the supplier delay. Any sense that you can share as to what April's runway was and sort of the training and effectiveness of that staff in the early innings.

**Duane Hughes**  
*CEO & Director*

Yes, that's a great question, Jeff. And I really appreciate you asking it. It's Duane here. Yes, our staff -- we're fully staffed with the current staff that could still meet that 2 units per day. We're pleased about that. A part of that was that PPP that you introduced as part of bringing on the PPP, we had looked at different things we might have to do to weather the storm, if you will. And the PPP allowed us to keep 100% of our employees on board, not have to go through layoffs and reductions and so on.

So -- and -- but from that perspective, we were comfortable that the staff we had, although it will grow in advance of us increasing our volumes, of course, for training purposes and so on, we're comfortable that we are properly staffed to do 2 units a day. The training process is an ongoing thing, but it's active today. We actually have part -- a number of our suppliers who are involved in our building of the vehicles side-by-side, if you will, virtually side-by-side today with our Union City staff. We put out a video, I think, a week or 2 ago, just showing some rudimentary elements of the production process happening there. So to your question, we're comfortable with our current levels of staffing to achieve 2 units a day. We're going through the trading process, and we hope to improve those numbers even more quickly than we have currently planned.

**Jeffrey David Osborne**  
*Cowen and Company, LLC, Research Division*

That's great to hear you're able to keep them with the loan. That's definitely good to hear. The last question I had is, on the last call, there was a lot of discussion of various different tests, and forgive me if I'm mixing these up. But I think the seatbelt test you had received and you're waiting on the FMVSS testing, if my memory is right. Is that something that's happened in the last month? Or given corona, are the testing authorities closed down?

**Robert Harry Willison**  
*Chief Operating Officer*

And that's correct. We actually had everything ready and our testing facility closed down. They're reopening and getting things back in shape, but the test will be done on the 21st of this month.

**Operator**

At this time, this concludes the company's question-and-answer session. If your question was not taken, you may contact Workhorse's Investor Relations team at [wkhs@gatewayir.com](mailto:wkhs@gatewayir.com).

I'd now like to turn the call back over to Mr. Hughes for his closing remarks.

**Duane Hughes**  
*CEO & Director*

Thank you, operator, and thanks, everyone, for joining us on our call today. We really appreciate your participation and the opportunity to provide our updates and guidance. I do really want to thank our employees, partners and other investors especially through this time. We appreciate your continued interest in Workhorse, and we look forward to updating you on future calls.

**Operator** Thank you for joining us today for Workhorse Group's First Quarter 2020 Earnings Conference Call, you may now disconnect.

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