

Q3 2021 Earnings Call

November 9, 2021

Today's Presenters



Rick Dauch

CEO

- 26 years automotive industry experience
- 12 years serving in CEO roles
- Multiple Public/Private Board memberships



Greg Ackerson

Interim CFO

- 20 years public company financial leadership experience
- Certified Public Accountant
- Chief Accounting Officer since 2019



Tony Furey

Vice President, Finance

- 25 years experience in Corporate Finance
- Investment Banker
- Extensive M&A experience

Agenda

- Introduction
- 3rd Quarter Financials
- CEO Update
- Q&A



Disclaimer

Cautionary Note Regarding Forward Looking Statements

This presentation contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements may be identified by words such as “anticipate”, “expect”, “plan”, “believe”, “seek”, “estimate,” or the negative of such terms, or other similar expressions. These are statements that relate to future periods and include, but are not limited to, statements about the features, benefits and performance of our products, our ability to introduce new product offerings and increase revenue from existing products, expected expenses including those related to selling and marketing, product development and general and administrative, our beliefs regarding the health and growth of the market for our products, anticipated increase in our customer base, expansion of our products functionalities, expected revenue levels and sources of revenue, expected impact, if any, of legal proceedings, the adequacy of liquidity and capital resource, and expected growth in business. Forward-looking statements are statements that are not historical facts. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from the forward-looking statements contained in this press release. Factors that could cause actual results to differ materially include, but are not limited to: our ability to successfully complete the additional testing and implement required modifications to vehicles to achieve compliance with FMVSS with respect to the C-1000s; the results of our ongoing review of the Company’s business and go-forward operating and commercial plans; our ability to capitalize on opportunities to deliver products to meet customer requirements; our limited operations and need to expand to fulfill product orders; risks associated with obtaining orders and executing upon such orders; the ability to protect our intellectual property; negative impacts stemming from the continuing COVID-19 pandemic; market acceptance for our products; our ability to attract and retain customers for existing and new products; our ability to control our expenses; potential competition, including without limitation shifts in technology; global and local business conditions; the prices being charged by our competitors; our inability to retain key members of our management team; our inability to raise additional capital to fund our operations and business plan; our inability to satisfy covenants in our financing agreements; our inability to maintain our listing of our securities on the Nasdaq Capital Market; our inability to satisfy our customer warranty claims; the outcome of any regulatory proceedings; our liquidity and other risks and uncertainties and other factors discussed from time to time in our filings with the Securities and Exchange Commission (“SEC”), including our annual report on Form 10-K filed with the SEC. Forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except as required by law.

Financial Summary

Third Quarter Financial Results

Sales, net of returns and allowances - \$(0.6) million vs. \$0.6 million

- \$1.2 million decrease due to customer refunds related to the recall of our C-1000 vehicles

Cost of sales - \$11.5 million vs. \$2.8 million

- Write-down of inventory on-hand that has a cost higher than its net realizable value
- Manufacturing and consulting costs related to production of the C-1000 vehicles
- Compensation-related costs due to an increase in salary headcount
- Warranty reserves related to the recall of our C-1000 vehicles

Selling, general and administrative expenses - \$10.6 million vs. \$6.0 million

- Increase in employee costs due to increased headcount, severance pay, and stock-based compensation
- Increase in legal, professional fees and insurance costs (USPS lawsuit, NHTSA filing, Debt Conversion)



Financial Summary

Third Quarter Financial Results

Research and development expenses - \$2.8 million vs. \$1.6 million

- Increase in compensation-related costs due to increased technical headcount
- Increase in consulting and prototype costs

Interest (income) expense - \$(18.6) million vs. \$74.3 million

- Decrease in expense related to fair value adjustments and losses on conversion of our convertible notes
- Decrease in losses recognized on redemption of Series B Preferred Stock
- Offset by increase in contractual expense related to our convertible notes

Other Loss - \$77.1 million vs. zero

- Loss on sale of investment in LMC



Financial Summary

Key Actions Taken to Reduce Cash Spend

- Slowed inbound material and eliminated air freight
- Curtailing and reducing consulting by adding in-house resources and expertise
- Withdrew USPS lawsuit, reducing legal & lobbying fees
- Right-sized plant headcount by approximately 25%
- Converted \$172.5M debt to equity = \$1.7M/QTR reduction in interest payments beginning Q1 2022

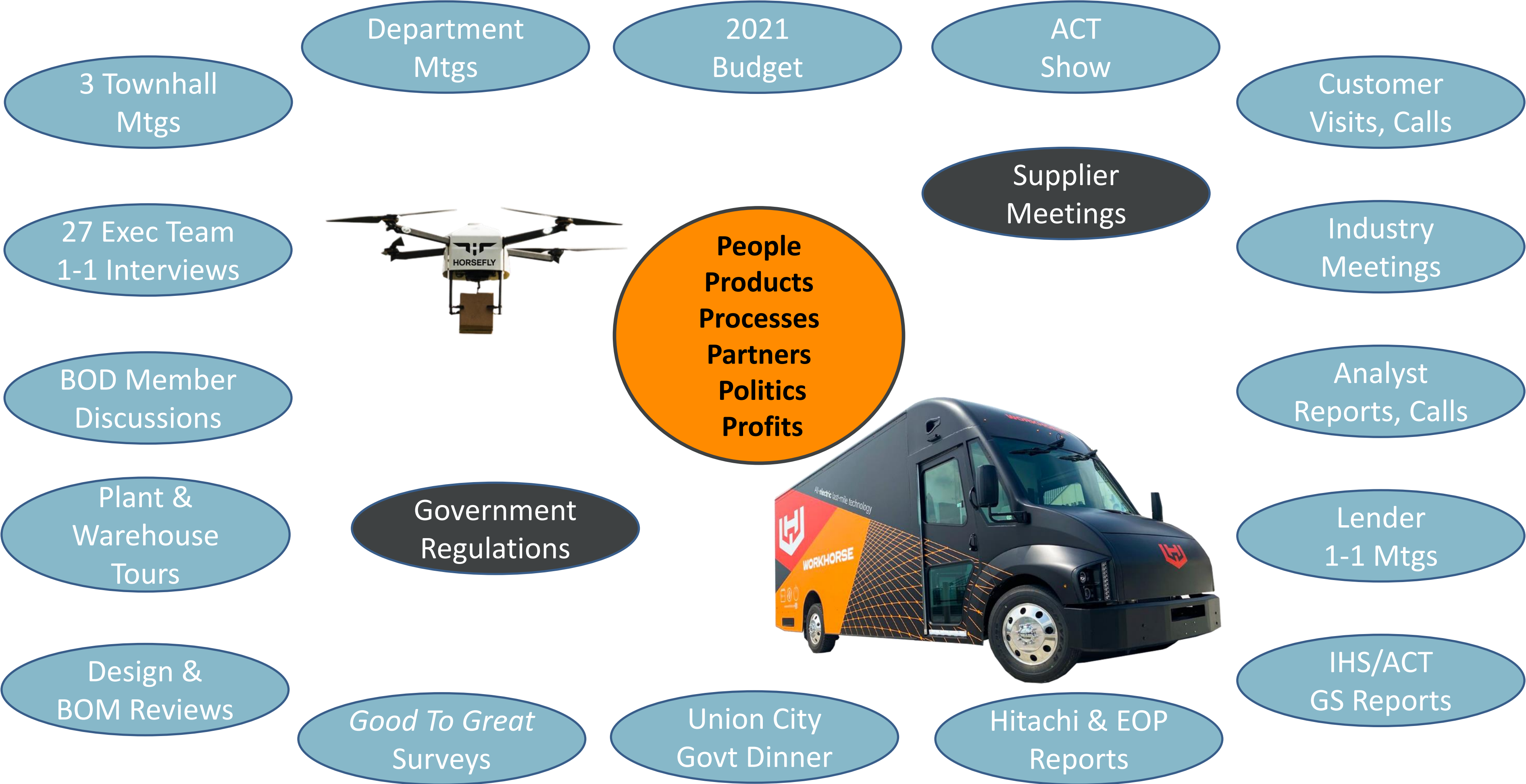


CEO Update & First Impressions

- 90-Day Orientation Process
- The Fundamental Facts
- Significant Market Trends
- “Stabilize & Grow” Process
- Opportunities, Issues & Priorities



90-Day Orientation Process



90 Day Recap

The Positives

- Strong macro market dynamics & CAGRs
- Solid, capable people at the working level
- Near-term balance sheet flexibility
- Technology leadership positions
- Confirmed purchase orders & strong customer support
- Union City campus capabilities & potential
- Foundations exist to be a market leader

The Negatives

- Inexperienced executive leadership team
- Poor communications & coordination
- Cash burn rate of >\$12-16M/month
- C-1000 vehicle design is not robust or profitable
- Supply chain not yet Tier 1 qualified
- Lack of “systems and process discipline”

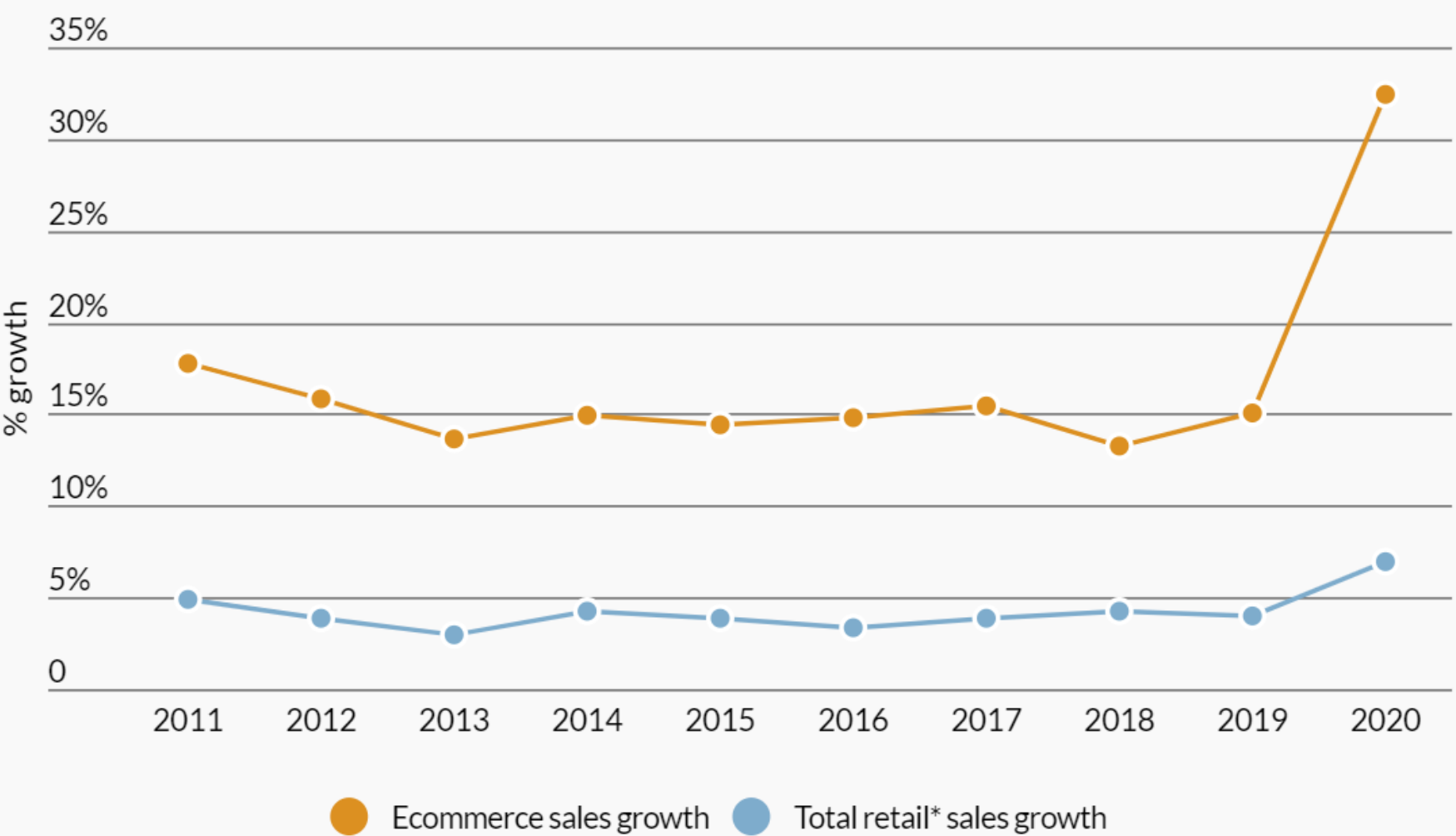


Macro Market Trends

Projected robust growth for E-commerce and ‘Last Mile’ delivery vehicles

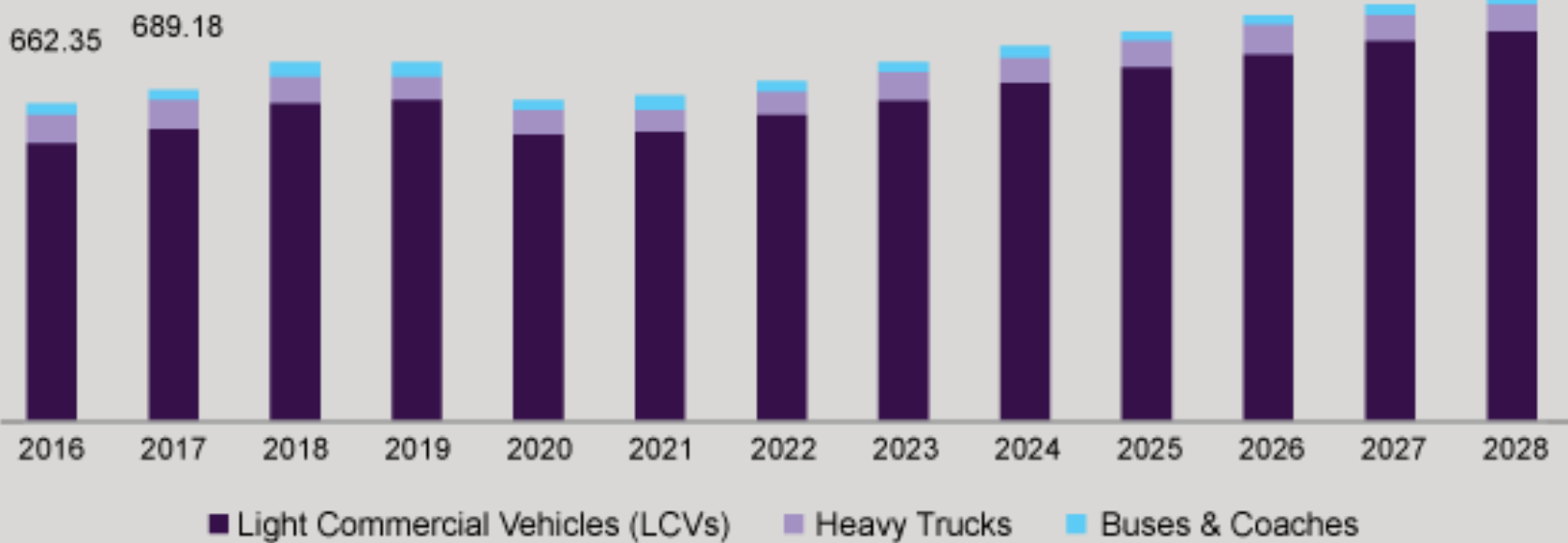
Comparing growth: US ecommerce vs. total retail* sales

Year-over-year growth, 2011-2020



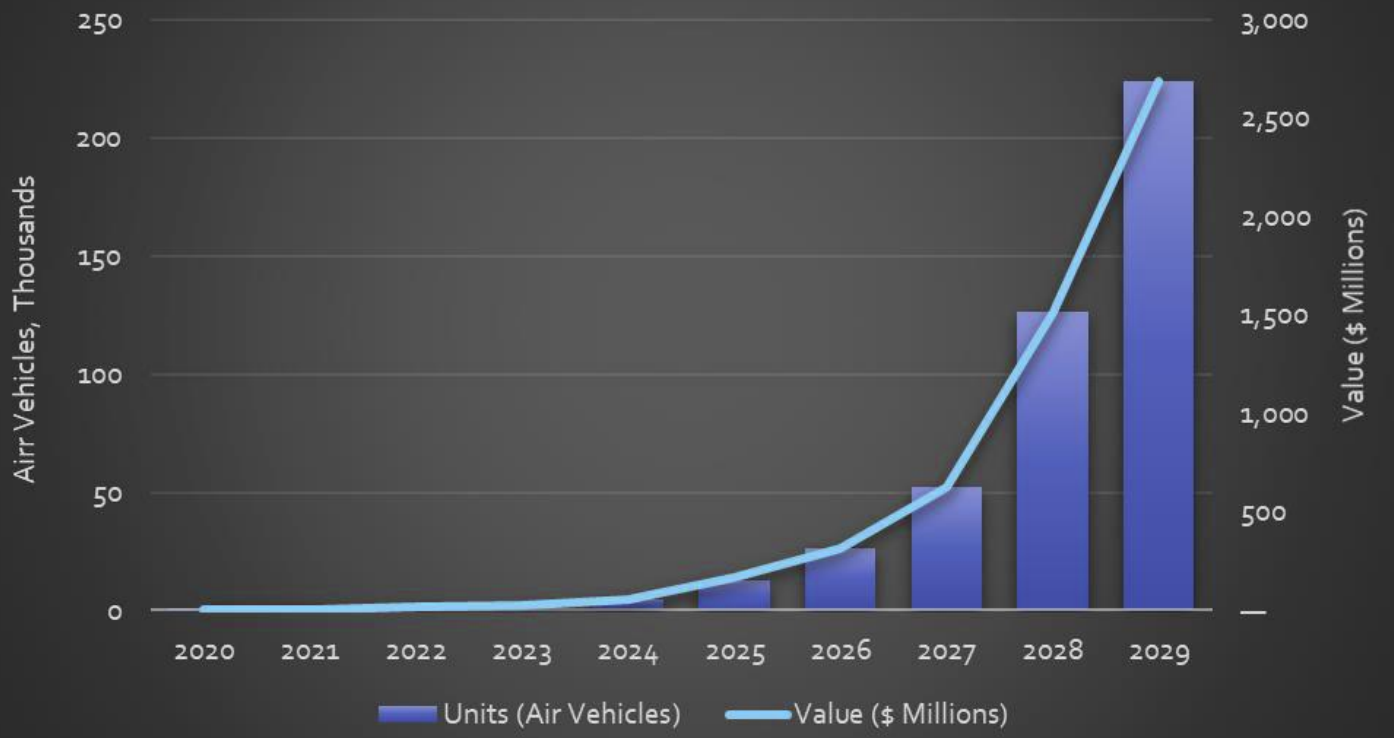
Source: Digital Commerce 360 analysis of U.S. Department of Commerce data; updated February 2021

U.S. commercial vehicles market size, by product, 2016 - 2028 (USD Billion)



Source: www.grandviewresearch.com

Delivery UAS Forecast



Source: Teal Group Corporation

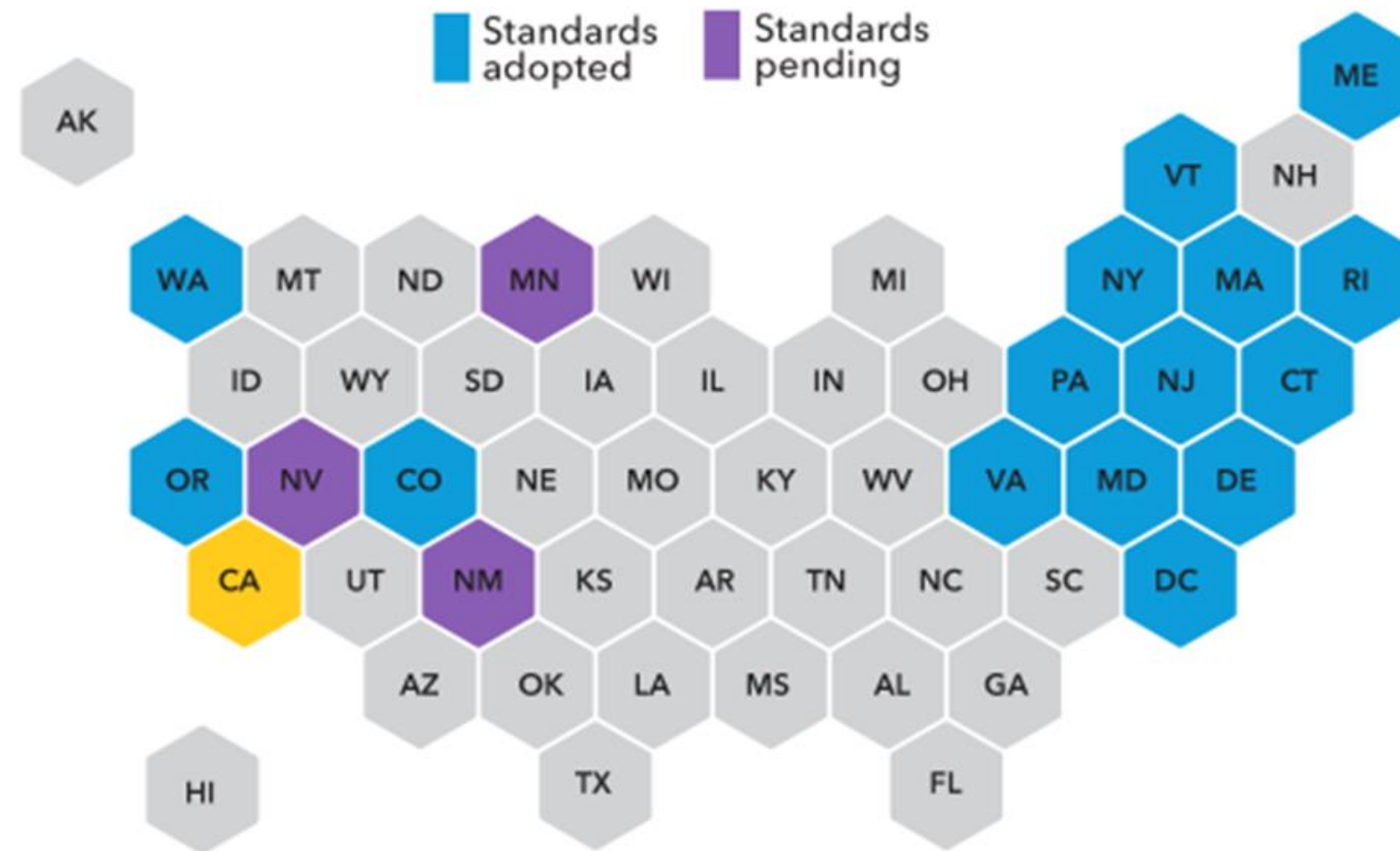


Strong CAGRs in all three areas supports the Workhorse business model

Market Trends – Tighter Government Emissions Regulations

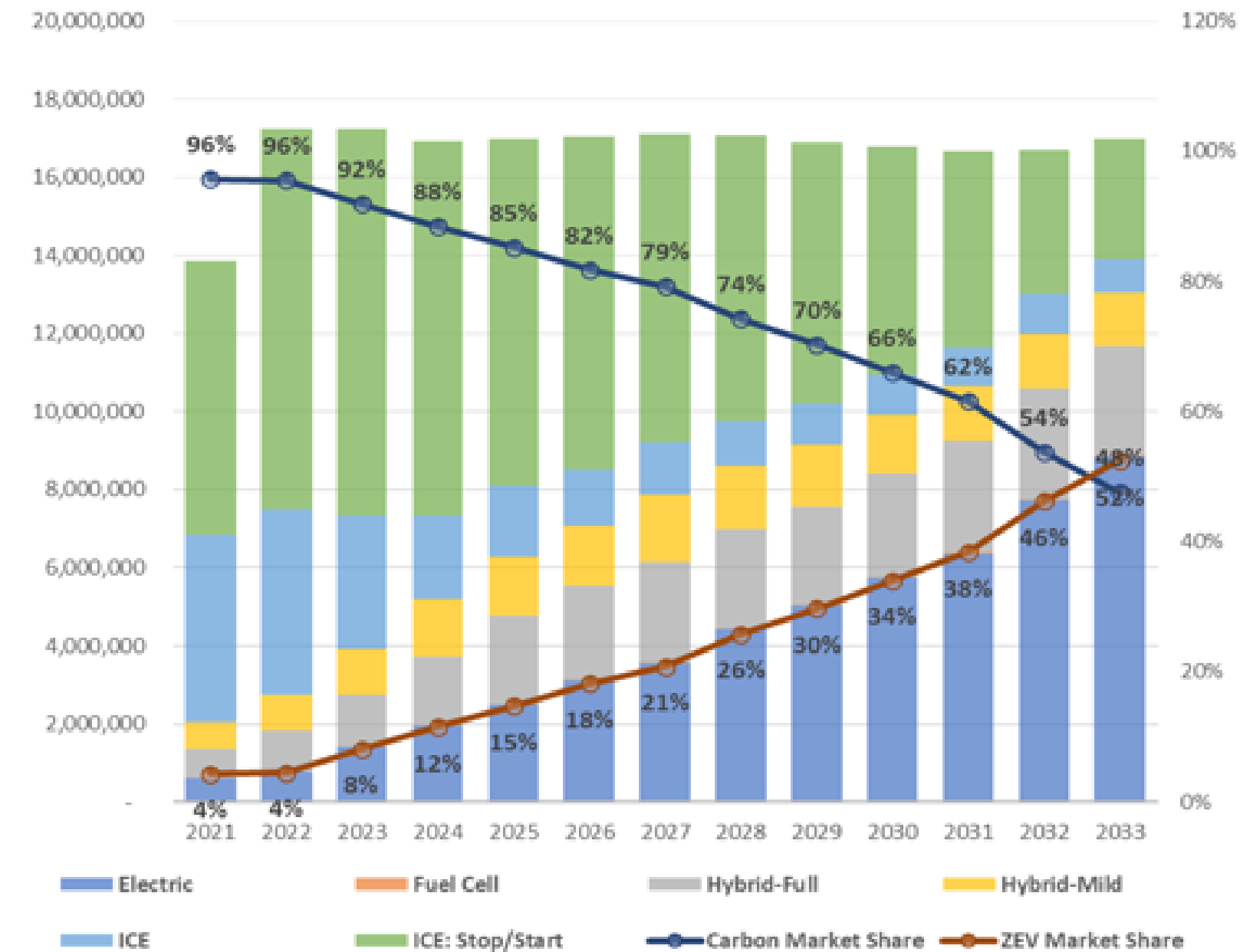
We are in the very early innings of the transition from ICE to EV powertrain

States Following CARB Standards



Source: California Air Resources Board

North America



Source: IHS Markit Global Vehicle Forecast, Sept. 2021

\$1.2T Federal Government Funded Infrastructure Bill approved by Congress on 11-5-2021.



Medium Duty, “Return to Station” CVs will convert to EV; HDs will stay Diesel or move to CNG

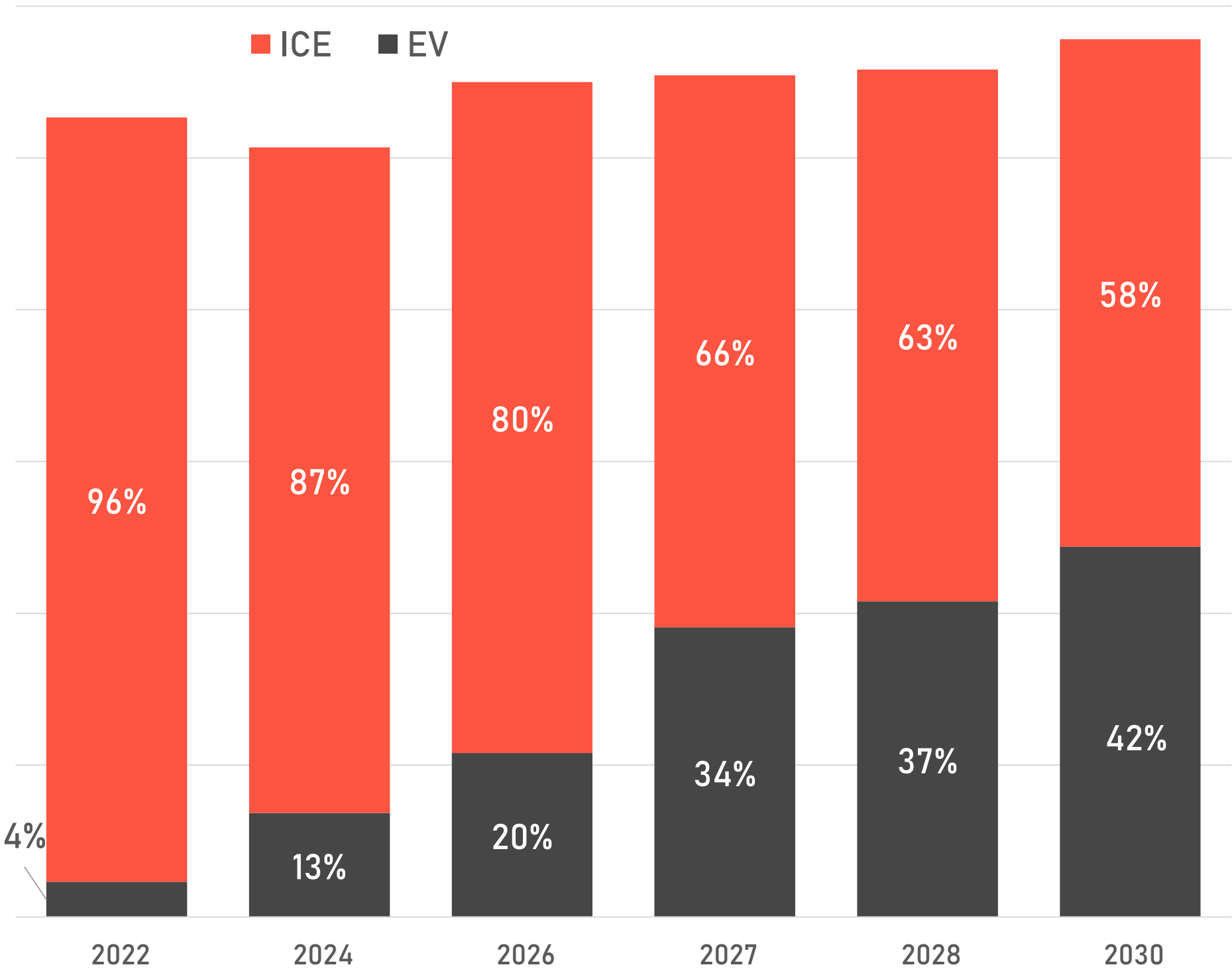
Currently Available EV Vouchers per vehicle for Fleets

Vehicle Weight Class	Subsidy per Vehicle
Class 2B	TBD
Class 3	\$45,000
Class 4-5	\$60,000
Class 6-7	\$85,000
Class 8	\$120,000
Class 8 Drayage Truck Early Adopter*	\$150,000

Source: [Funding Updates - Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project | California HVIP](#)

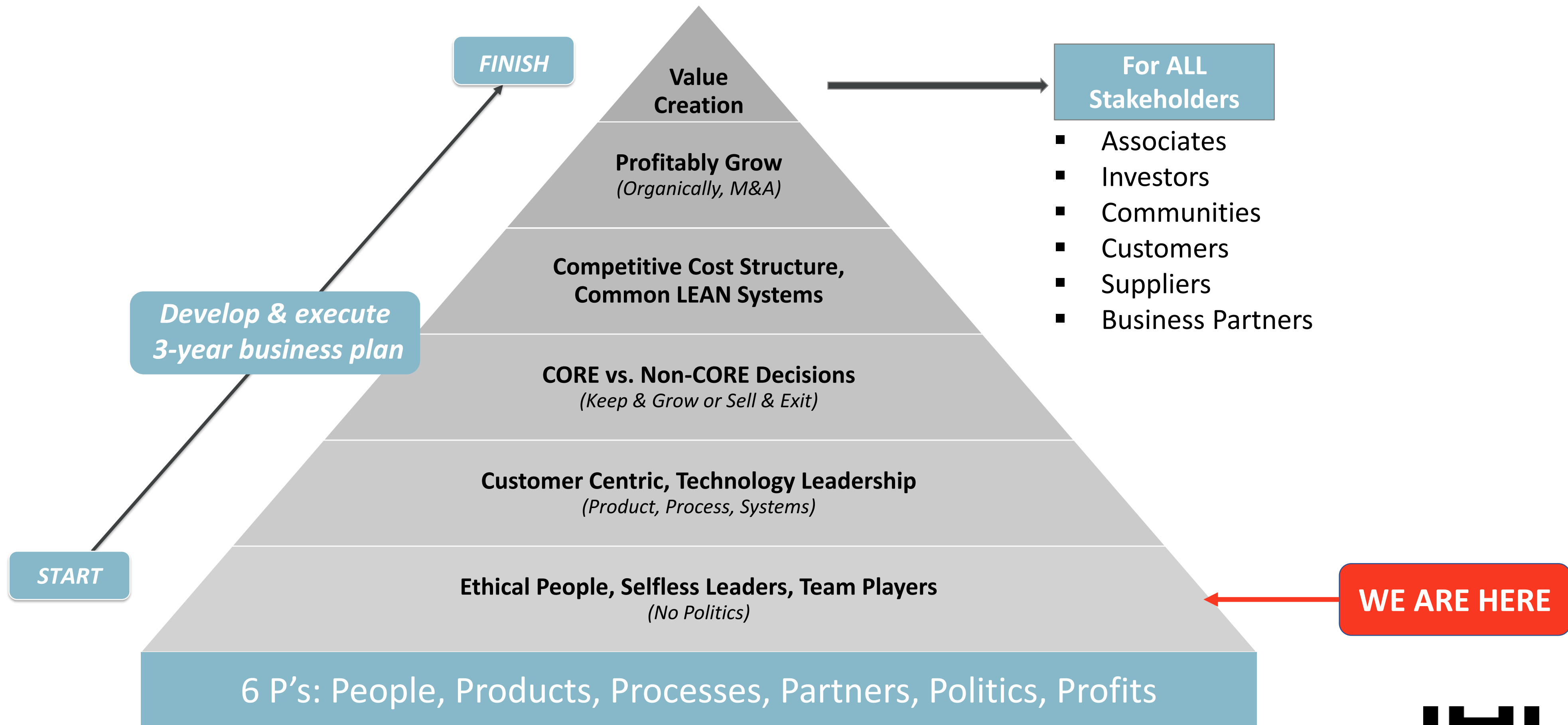


ICE to EV Powertrain Transition Projections



Source: ACT Charging Forward – 2020-2040 BEV & FCEV Forecast and Analysis
Class 4-7 Vehicle Unit Volume North America

Process of Stabilization and Growth



Vision & Values Statements

Our Vision:

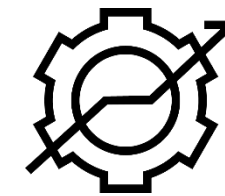
To pioneer the transition to zero-emission commercial vehicles.

Our Values:



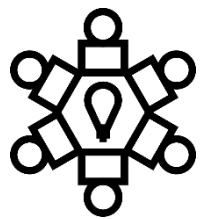
Transparency

Building trust through open and timely communication; creating a culture of fairness and respect for our colleagues and business partners.



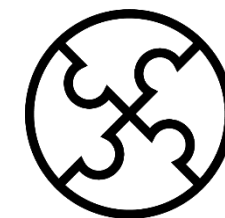
Excellence

Maintaining the highest of standards in all that we do, while designing, building and delivering industry leading products & services and superior financial results.



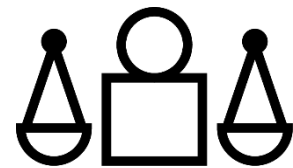
Teamwork

Working collaboratively with all stakeholders in an effective and efficient manner to achieve our common goals.



Integrity

Consistently choosing the 'harder right' by being honest and demonstrating an uncompromising adherence to strong moral, ethical principles and values.



Accountability

Accepting responsibility for our actions and delivering on our commitments.



Experienced, Capable Leadership Team



Josh Anderson

Chief Technology Officer

- Responsible for managing and overseeing the development and implementation of Workhorse's advanced technology into our product portfolio.
- More than two decades of executive experience in the EV industry leading concept, design, development and launch of Class 4 to 8 vehicles serving a variety of OEMs.
- Full vehicle systems background, with 11 patents covering EV control strategy, battery management, powertrain design and chassis construction.
- BS degree in Engineering from Harvey Mudd College.

Jim Harrington

Chief Admin Officer, General Counsel

- Responsible for all legal, regulatory compliance and HR activities.
- 25 years of Business, Legal, Accounting & Human Resource experience.
- Spent the last 15 years as Senior Vice President, General Counsel with Tenneco and Delphi Technologies.
- Extensive experience in the areas of corporate governance, and mergers and acquisitions.
- BBA degree from Notre Dame in Accounting, MBA from the University of Chicago, and Law Degree from Northwestern.

Stan March

VP, Corp Development & Communications

- Responsible for strategic initiatives, M&A activities, public affairs, investor relations and corporate communications.
- Served in executive positions for more than 15 years across a broad spectrum of businesses from a multi - industry conglomerate to global semiconductor and clean technology leaders.
- Most recently served as a Senior Vice President for smart metering pioneer Landis+Gyr and was responsible for executing the Company's \$2.3 billion Swiss IPO in 2017.
- BS in General Engineering from West Point and a MS in Chemical Engineering from Vanderbilt University.

Dave Bjerke

VP, Product Development

- Responsible for full vehicle design, development and testing.
- Successfully executed Chief Engineering roles for purpose-built vehicles for the US Secret Service, Chevrolet SSR, MV-1 Mobility Vehicle, and an armored tactical truck for US Special Forces.
- Experience includes vehicle synthesis and integration, program planning, and management from concept development to stabilized volume production.
- BSME and MBA from the University of Cincinnati.

Ryan Gaul

President, Commercial Vehicles

- Responsible for P&L of commercial vehicles.
- 20 plus years of global Tier 1 automotive experience with leadership positions in USA, Germany and China.
- Led growth of \$28M P&L to \$250M.
- Global operations leader with deep lean manufacturing experience in an \$1B organization with 12 sites and 10K associates.
- Held various senior leadership (EVP) roles in M&A, Marketing, Business Development, Strategy and IT.
- BA in Philosophy from the University of Missouri, Columbia.

Chris Nordh

VP, Commercial Development

- Responsible for customer relationships and development of our service and aftermarket support structure.
- Spent 15 years at Ryder, building products and IT systems to manage & transition fleets between various fuels & vehicle technologies.
- Built-up and managed the second largest fleet of MD & HD natural gas vehicles in the country.
- Managed over \$80M in vehicle grants.
- Served two years on Freightliner EV Customer Council and WEX Customer Advisory Board.
- BS in Industrial Engineering & MBA from the University of Miami.

Jim Peters

VP, Purchasing and Supply Chain

- Responsible for leading all facets of the Supply Chain Management organization.
- Extensive experience at both the automotive OEM and Tier 1 levels.
- Served as Executive Director Global Purchasing and Supplier Quality with American Axle and Manufacturing.
- 17+ year career at the former Chrysler Corporation holding a series of executive positions.
- BA in Business from Michigan State University.

Commercial Vehicles



Grounded C-1000 Fleet

- NHTSA filing
- 41 vehicles in the field
- Slowed production to 2 units/week

Extensive Q4 Testing Underway

- Brake testing
- Analytical load analysis
- Durability testing
- E-Powertrain reliability

Q4 2021 – Decisions Required

- C-1000 – limited vs. full production
- Multiple CL3-7 chassis platforms & vehicle applications under review
- Finalize 3-year product portfolio plans



Aerospace



- Approved by the Federal government to pursue commercial FAA Type Certification (Part 21.17) in '22-23
- Market segment leading payload and range capabilities in final development and test
- Single-source 'supplier partner' in the development of drone delivered packages with leading last mile delivery customer
- Secured contract with USDA to provide monitoring, data procurement and analytics as part of demonstration project
- Exploring additional projects with federal & state governments and a large retailer



Union City Campus

- Experienced, non-union workforce
- Existing 212,000 sq. ft. factory on 47-acre campus
- 30-year legacy of commercial vehicle production
- Customer Experience & Training Center
- Vehicle test track planned



Future CAPEX Projections

2022-2024

- **R&D and Test Facilities & Equipment**
<\$8-10M
- **State of the Art Manufacturing Facility**
<\$15-20M
- **Corporate IT Systems**
< \$5-10M

The Workhorse Team is executing on our revised plans to be fully prepared to meet emerging EV market needs in 2023-24.



Withdrew USPS Lawsuit

- The federal fleet consists of >750K vehicles across multiple departments & agencies
- Significant potential federal government funding exists to support the transition to EV technology (vehicles and infrastructure)



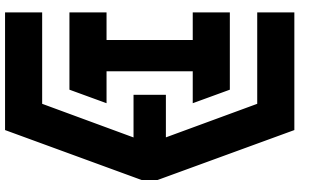
First 90-Day Recap

Q3 2021 Accomplishments

- Assembled new executive team (80%)
- Strengthened balance sheet
- Confirmed customer order backlog
- Grounded C-1000 series vehicles
- Withdrew USPS lawsuit
- Reduced cash burn rate by >30%
- Developed 'Draft' 3-yr product portfolio plans
- Established business unit roadmaps

Q4 2021 Priorities


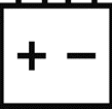

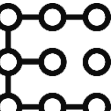



- Hire experienced CFO & select executives
- Strengthen technical & commercial capabilities
- Complete C-1000 vehicle testing
- Finalize product development roadmaps
 - Vans
 - Chassis
 - UAVs
- Finalize 2022 budget
- Develop 2022-24 business plans at BUs



SEC and DOJ Updates

- On October 19th and November 1st, we received letters from the SEC requesting that we voluntarily provide information relating to trading in our securities leading up to the announcement of the award with the U.S. Postal Service and recognition of revenue related to purchases of vehicles by certain customers.
- On November 5th, the Department of Justice orally informed us that it has a related open investigation covering our company.
- We are cooperating with the SEC and DOJ investigations.

Summary & Q&A

-  Assembled strong, capable leadership team
-  Strengthened balance sheet & reduced cash burn rate
-  Withdrawal of USPS bid protest
-  Vehicle testing & redesign process underway
-  Revised product portfolio roadmap currently in development
-  Capital investment plans underway
-  **Questions**

