



# Q2 2023 Earnings Call

August 8, 2023



# Today's Presenters



**Rick Dauch**  
CEO

- 28 years automotive industry experience
- 16 years serving in CEO roles
- Multiple public/private board memberships



**Bob Ginnan**  
CFO

- 23 plus years of senior finance and leadership experience
- Refined capital structures for firms in multiple industries
- Executed multiple accounting and information technology ("IT") system installations



**Stan March**  
Vice President, Corporate Development

- 27 years executive experience across multiple industrial sectors
- Extensive M&A, public affairs, investor relations and corporate communications experience

# Agenda

Introduction

---

Business Update

---

Q2 Financials

---

2023 Guidance

---

Q3 Priorities / Summary

---

Q&A





# Disclaimer

## Cautionary Note Regarding Forward Looking Statements

The discussions in this document contain 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. When used in this document, the words “anticipate,” “expect,” “plan,” “believe,” “seek,” “estimate” and similar expressions are intended to identify forward-looking statements. 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 resources, 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 document. Factors that could cause actual results to differ materially include, but are not limited to: our ability to develop and manufacture our new product portfolio, including the W4 CC, W750, W56 and WNext platforms; our ability to attract and retain customers for our existing and new products; risks associated with obtaining orders and executing upon such orders; the unavailability, reduction, elimination or adverse application of government subsidies, incentives and regulations; supply chain disruptions, including constraints on steel, semiconductors and other material inputs and resulting cost increases impacting our company, our customers, our suppliers or the industry; our ability to capitalize on opportunities to deliver products to meet customer requirements; our limited operations and need to expand and enhance elements of our production process to fulfill product orders; the ability to protect our intellectual property; negative impacts stemming from the COVID-19 pandemic; market acceptance for our products; our ability to control our expenses; potential competition, including without limitation shifts in technology; volatility in and deterioration of national and international capital markets and economic conditions; global and local business conditions; acts of war (including without limitation the conflict in Ukraine) and/or terrorism; 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 maintain our listing of our securities on the Nasdaq Capital Market; our inability to satisfy our customer warranty claims; the outcome of any regulatory or legal 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”), our ability to attract and retain customers for our existing and new products; risks associated with obtaining orders and executing upon such orders; supply chain disruptions, including constraints on steel, semiconductors and other material inputs and resulting cost increases impacting our Company, our customers, our suppliers or the industry; our ability to capitalize on opportunities to deliver products to meet customer requirements; our limited operations and need to expand and enhance elements of our production process to fulfill product orders; the ability to protect our intellectual property; market acceptance for our products; our ability to control our expenses; potential competition, including without limitation shifts in technology; volatility in and deterioration of national and international capital markets and economic conditions; global and local business conditions; acts of war (including without limitation the conflict in Ukraine) and/or terrorism; 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 maintain our listing of our securities on the Nasdaq Capital Market; our inability to satisfy our customer warranty claims; the outcome of any regulatory or legal 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.

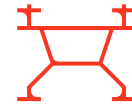


# Key Accomplishments in the Second Quarter



## Advancing Commercial Vehicle Programs

- Received purchase orders for 62 vehicles, including the first two for the W56, and delivered 42 Class 4 (W4 CC / W750) vehicles to customers
- W56 vehicle durability & systems testing in process ahead of Q3 target SORP
- Showcased W56 vehicles at CALSTART's electric vehicle event
- Expanded Dealer Network:
  - Established Burr Truck and Trailer Sales as first distribution and service partner in New York state
  - EVC/Smyrna Truck is first certified EV dealer and body builder in Georgia
  - Western Truck Exchange added as certified dealer in Los Angeles, California
- Delivered 53 Tropos vehicles year to date; volumes expected to grow to approximately 50 per month by year end



## Positive Developments in Aerospace

- Signed first commercial drone purchase orders for HorseFly™
- Completed demonstrations of simultaneous delivery by multiple aircraft for two potential last mile delivery industry customers
- Continued strong customer interest in drone offerings
- Held multiple flight demonstrations for U.S. military and successfully conducted field testing of HALO internationally
- Received new \$900,000 grant with USDA in Mississippi



## Facility & Systems Improvements

- Sharonville, Ohio prototype shop in full operation
- Final assembly and paint process equipment being installed at Union City manufacturing site in time for W56 launch in Q3
- Drone engineering, technical design and production facility in Mason, Ohio is ready for drone assembly
- Successfully completed Phase 1 implementation of ERP system



## Continued Progress in Stables by Workhorse

- Expanded organically last mile package delivery routes and service for FedEx Ground in Lebanon, Ohio area
- Five Class 4 EV units operating in the delivery fleet and expect to add W56 vehicles to the fleet in early Q4 2023
- Reviewing options to open second operations location in incentive supported state with FedEx approval



# Product Portfolio Plan Update

## W4 CC

CL4, 5000-lb. payload, 150-mile range

- Stable production
- Received orders for 60 for Class 4 vehicles and delivered 42 vehicles to customers
- FSecured body build slots in Q3-Q4
- Capable of building & shipping >300 units in '23

## W750 Van

CL4, 5000-lb. payload, 150-mile range

- Started production in Union City – tough launch
- First customer shipment made in June
- Five units operating at Stables & Stalls
- Received supportive responses from test drives
- ull-day demo with City of Los Angeles
- Quoting multiple small fleet opportunities
- Capable of building & shipping ~50 units in '23

## W56

CL5-6, 10,000-lb. payload, 150-mile range

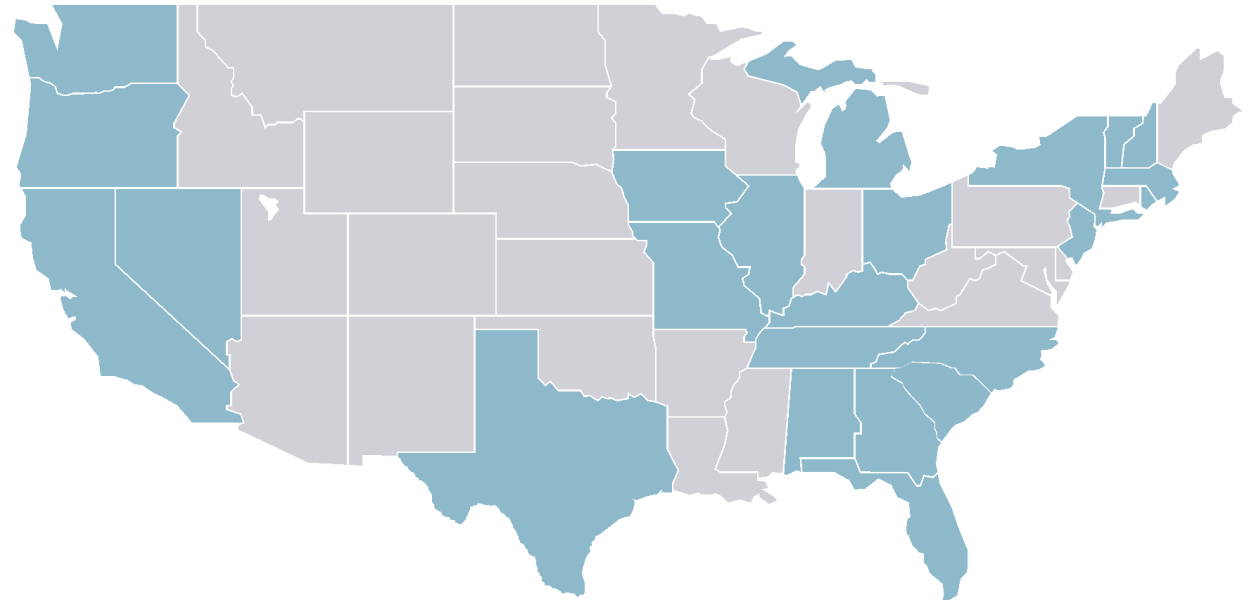
- On track for production in Q3 2023
- First two orders received, deliveries in Q4
- Demo units to be delivered to major fleets in Q4
- Showcased at CALSTART's electric vehicle event in Washington D.C. to members of Congress, policy makers and other federal officials

**Safe, Reliable,  
Durable, Capable  
Vehicles**



# Building Out a Certified Dealer Network

- Securing manufacturing licenses and now authorized to sell in 23 key states
- Establishing a nationwide certified dealer network, targeting dealer locations in key 'EV Ready' markets
  - Established Burr Truck and Trailer Sales as first distribution and service partner in New York state, making it the initial dealership in the Northeastern U.S.
  - ECV/Smyrna Truck is Workhorse's first certified EV dealer and body builder in Georgia
  - Added Western Truck Exchange as certified Workhorse dealer expanding California presence to LA
  - Targeting additional dealers along the I-5 and I-95 corridors, Southeast and Southwest regions
- Strong fleet & dealer customer interest in W56 vehicles, following successful durability testing and field demos in Q3 '23



## Building a strong dealer network with 'Work Truck' experience & customer accounts



# Stables by Workhorse

## Continued execution of fleet electrification initiative to serve independent contractors and operators

- Continuing to provide last mile package delivery service for FedEx Ground
- Expanded route assignments by +20%
- Five Class 4 EV units now in the delivery fleet (~50%)
- On track to add W56 vehicles to the fleet in Q4 2023
- Reviewing options to establish second location in incentive based state
- “White Paper” on ICE-to-EV transition and business case



**Tremendous “real world” learning experience**



# Aerospace Update



## WA4-100 HorseFly

- Successfully signed our first commercial drone purchase orders – units under extensive customer application tests
- Completed demonstrations of simultaneous delivery by multiple aircraft for two potential last mile delivery customers and other industry partners
- Completed field scanning projects in Arkansas and Mississippi to support USDA government programs
- Received a new \$900,000 grant with the USDA in Mississippi and expect to commence flying in Q3 2023



## WA4-200 Falcon Humanitarian Assistance and Logistics Operations (HALO)

- Developed platform in 142 days
- Multiple demonstrations with DOD & U.S. gov't departments
- Successfully conducted field testing internationally
- Continuing to explore additional projects with federal and state governments
- 10-15 lb. payload capacity, range of 10-15 miles

# Financial Summary Highlights

## Second Quarter 2023 Unaudited Results

(\$000s) Fav / (Unfav)	Quarter To Date - Jun-23		
	Actual	PY	\$Δ to PY
Gross Revenue	6,366	13	6,354
Sales Allowance	(2,400)	-	(2,400)
<b>Net Sales</b>	<b>3,966</b>	<b>13</b>	<b>3,954</b>
<b>Total Cost of Goods Sold</b>	<b>(8,427)</b>	<b>(3,020)</b>	<b>(5,407)</b>
<b>Gross Margin</b>	<b>(4,461)</b>	<b>(3,008)</b>	<b>(1,453)</b>
<b>Operating Expenses:</b>			
Research and development	(5,060)	(5,027)	(33)
Selling, general and administrative	(14,003)	(13,030)	(973)
<b>Total Operating Expenses</b>	<b>(19,063)</b>	<b>(18,057)</b>	<b>(1,006)</b>
<b>Operating Income (Loss)</b>	<b>(23,524)</b>	<b>(21,065)</b>	<b>(2,459)</b>
Interest Expense, net	505	(95)	601
<b>Total Interest &amp; Taxes</b>	<b>505</b>	<b>(95)</b>	<b>601</b>
<b>Net Income</b>	<b>(23,018)</b>	<b>(21,160)</b>	<b>(1,858)</b>
Interest & Taxes	505	(95)	601
Depr & Amort	(746)	(441)	(306)
<b>Total EBITDA Add-backs</b>	<b>(241)</b>	<b>(536)</b>	<b>295</b>
<b>EBITDA</b>	<b>(22,778)</b>	<b>(20,624)</b>	<b>(2,153)</b>
<b>Adj. EBITDA Add-backs</b>			
Stock Compensation	(3,777)	(3,292)	(485)
<b>Total Adj EBITDA Add-backs</b>	<b>(3,777)</b>	<b>(3,292)</b>	<b>(485)</b>
<b>Adj. EBITDA</b>	<b>(19,001)</b>	<b>(17,332)</b>	<b>(1,669)</b>

## Sales

Sales growth was primarily driven by W4 CC sales offset by sales allowance recorded in lieu of HVIP voucher certification.

## Cost of Sales

Cost of sales increased to \$8.4 million from \$3.0 million in the same period last year. The increase in cost of sales was primarily due to a \$4.8 million increase in costs related to vehicle sales and a \$0.6 million increase in employee compensation and related expenses.

## Operating Expenses

Selling, general and administrative (“SG&A”) expenses increased to \$14.0 million from \$13.0 million in the same period last year. The increase was primarily driven by a \$0.5 million increase in employee compensation and related expenses, including non-cash stock-based compensation expense, a \$0.4 million increase in professional services, and a \$0.5 million increase in other operational expenses. The increase was partially offset by a \$0.6 million decrease in legal expenses.

Research and development (“R&D”) expenses stayed consistent during the three months ended June 30, 2023 and 2022 at \$5.1 million and \$5.0 million, respectively.



# Balance Sheet Highlights

Second Quarter 2023 Unaudited Results

(\$000s)	Dec-22	Jun-23
Cash	99,276	62,380
Accounts Receivable - Net	17,079	17,837
Total Inventory	8,850	34,624
Total Prepaids, Deposits, & Deferrals	14,152	9,451
<b>Current Assets</b>	<b>139,357</b>	<b>124,292</b>
Total Net Property	21,501	31,300
Other Assets	21,883	21,335
Intercompany	0	0
<b>Total Assets</b>	<b>182,741</b>	<b>176,927</b>
Total Accounts Payable	11,891	10,229
Total Accrued Employee Costs	4,967	3,138
Total Other Current Liabilities	43,077	43,321
Deferred Revenue	5,380	4,775
<b>Current Liabilities</b>	<b>65,315</b>	<b>61,463</b>
Lease Liability - LT	8,840	8,076
<b>Total Long Term Debt</b>	<b>8,840</b>	<b>8,076</b>
<b>Total Equity</b>	<b>108,586</b>	<b>107,388</b>
<b>Total Liabilities &amp; Equity</b>	<b>182,741</b>	<b>176,927</b>

No Debt

**\$62.4 Million**

Cash balance

**Increase in Inventory**

\$25.8 million increase as production ramped ahead of sales

**Capital Spending**

\$11.4 million year to date



# Financial Summary

2023 Guidance

Revenue in the range between  
\$65M – \$85M

- Currently no HVIP voucher availability in CA for W4 CC and W750 through GreenPower, working on resolution with CARB
- W56 certification testing behind schedule ~45 days
- “Production Level Quality” demos required by customers ahead of orders
- General industry level ‘charging infrastructure’ concerns impacting adoption rates





# Q3 Priorities



## Execute Product Roadmaps

---

- Ramp up W750 production
- Launch W56
  - Complete durability testing
  - Complete supplier part certifications
  - Install and run-off process equipment
- Ramp Tropos to 50 units/month in Q4
- Continue electrification of Stables & Stalls fleet



## Profitably Grow CV Sales

---

- Build out sales organization at CV and Aero BUs
- Secure CARB certification and HVIP vouchers
- Expand CV dealership network by 3-4 partners
- Provide W750 and W56 demos to fleets
- Secure Q4 '23 and '24 customer orders
- Complete SourceWell and GSA registrations



## Aerospace Progress

---

- Earn additional P.O.s with select last mile customers
- Successfully complete HALO trials with customers
- Prepare for low-volume drone assembly
- Earn additional USDA partnership grants
- Carry out additional flight testing & demonstrations



## Implement Common Systems

---

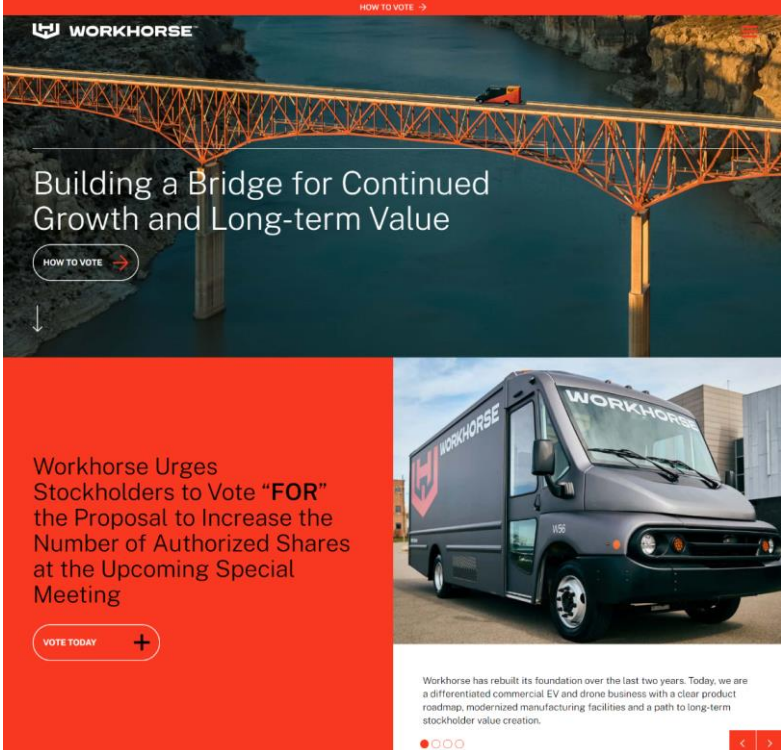
- Execute Phase 2 of ERP system
- Exercise LEAN Systems across manufacturing and supply chain



# Upcoming Special Meeting

Building a Bridge for Continued Growth and Long-Term Value

- Special Meeting on August 28 to vote on proposal to increase the number of authorized shares of Workhorse common stock
- Currently evaluating a range of options to fund our next phase of production and profitable growth
- Potential transactions involve offering common stock or the issuance of equity-linked securities
- These options will only be available to us if we have the flexibility to issue more shares of our stock
- Workhorse is therefore asking stockholders to help build a financial bridge to continued growth and long-term stockholder value by voting FOR the proposal



WORKHORSE

Building a Bridge for Continued Growth and Long-term Value

HOW TO VOTE →

Workhorse Urges Stockholders to Vote “FOR” the Proposal to Increase the Number of Authorized Shares at the Upcoming Special Meeting

VOTE TODAY +

Workhorse has rebuilt its foundation over the last two years. Today, we are a differentiated commercial EV and drone business with a clear product roadmap, modernized manufacturing facilities and a path to long-term stockholder value creation.

[www.votewkhs.com](http://www.votewkhs.com)

**ISS recommends voting “FOR” the proposal**



**Questions?**