Amprius Technologies, Inc.
Q2 2023 Earnings
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Presenters
Dr. Kang Sun, CEO
Sandra Wallach, CFO

Q&A Participants
Colin Rusch – Oppenheimer
Chris Southern – B. Riley Securities
Tim Moore – EF Hutton
Abhi Sinha – Northland Financial

Operator
Good afternoon and welcome to Amprius Technology Second Quarter 2023 Earnings Conference Call. Joining us for today's presentation are the company's CEO, Dr. Kang Sun, and CFO, Sandra Wallach. At this time, all participants are in listen-only mode. Following management's remarks, we will open the call for questions.

Please note that this presentation contains forward-looking statements, including but not limited to statements regarding future product commercialization, new customer adoption, and timing and ability of Amprius to build its large scale manufacturing facility, expand its manufacturing capacity, scale its business and achieve a sustainable cost structure. These statements involve known and unknown risks, uncertainties and other important factors that may cause them, for instance, results, performance or achievements to be materially different from any future results performance or achievements expressed or implied in such forward-looking statements. For a more complete discussion of these risks and uncertainties, please refer to Amprius's filings with the Securities and Exchange Commission.

Finally, I would like to remind everyone that this conference call is being webcast and the recording will be made available for replay on the company's investor relations website at ir.amprius.com. In addition to the webcast, the company has posted the shareholder letter that accompanies these results, which can also be found on the Investor Relations website.

I will now turn the call over to Amprius Technology's CEO, Dr. Kang Sun for his comments. Sir, please proceed.

Kang Sun
Welcome, everyone, and thank you for joining us this afternoon. On today's call, I will report on our process and accomplishments at Amprius in the second quarter, and our CFO Sandra Wallach will discuss our financial results for the period. After that, I will share some closing remarks before opening the call for questions.

Our second quarter demonstrated our business momentum and the growth potential. Amprius introduced new products and technologies, brought in more customers and delivered increased revenue. Our (inaudible) performance continues to commend a firm leading position in the industry, highlight Amprius' ability to provide (inaudible) per kilo (inaudible) and a 1150 watt hour per liter volumetric (inaudible) up to (inaudible) power capability. The extreme fast charge rates of zero to 80% state of charge in approximately six minutes. A wide operating temperature range of a matter of 30 degrees Celsius up to 55 degree Celsius. And assessment design features that enable us to pass the United States military's benchmark and (inaudible) penetration test.

Amprius has over (inaudible) and extensive know-how in (inaudible) manufacturing technologies. And these, I will believe that can perform at these levels. Amprius has been in commercial battery production since 2018. So company has many years of experience manufacturing high-energy density and high-power density lithium ion batteries. Our priority today is to scale our manufacturing capacity to meet the ever-increasing demand of our solutions, with the long term goal of becoming a mainstream battery solution with applications across all segments of electrical mobility, including the aviation and the EV industries.

(Inaudible) our momentum from last quarter, we are diligently working to execute the strategy we lay out earlier this year. This quarter, we continue to develop a new product, build out our book of customers and progress our paths to larger scale commercialization. I would now like to note a few highlights in each area. Beginning with our technological development, our second quarter include a few key examples of our ongoing efforts to push the boundaries of what is possible in the high performance battery space.

First, early this month, we announced our newest product, the Amprius (inaudible) high power energy battery cell. This cell displays unprecedent performance in the industry delivering 400 watt hour per kilo energy density and the maximum power density of a 4400 watt per kilo with (inaudible) continues to (inaudible). Amprius higher power cell technology is critically important to the electric aviation industry, enabling the capabilities of EV (inaudible) and other high performance electrical vehicles. We believe that we are close to shipping samples to interest partners and that we will be able to commercially ship this product in early 2024.

Second, our (inaudible) batteries (inaudible) power the PA (ph) System's first successful Stratos Ferry Flight. PA System choose Amprius as its partner, so it's a high altitude (inaudible) uncrewed ariel system (inaudible) is important to us ultralight battery that also offers the necessary power to fly the aircraft. Perhaps program opens extensive possibility of a future communication networks, including 4G and 5G. (inaudible) applications from disaster relief to Border Protection, present a compelling alternative to conventional airborne and satellite systems and Amprius is excited to play a part in the future.

Third, we complete the U.S. Army safe cell development program, an important technical milestone to our business with the U.S. Army. We successfully delivered our 390 hour per kilo safe cells with gel polymer electrolyte. Passing the vigorous military performance specification (inaudible) test. When integrated into a battery pack, its cutting edge technology more than doubles the energy density of existing solutions, significantly today, extending mission time. Also, a part of the U.S. Army (inaudible) technology program, we are working closely with one of our partners to deliver conformal variable batteries to U.S. Army before the end of the year.

We believe that this is the important steppingstone to further developing our relationship with the U.S. military and specifically giving us entry points to become far more variable battery marking estimates at $1.25 billion by 2030. Now, we have become an integral partner to several teams participating in the Bridgestone World Solar Challenge in October. At the event, each team designs, develops and pilots a solar powered vehicle along with a 3,000 Kilometer (inaudible) Australia route. Amprius' batteries superior performance attracts significant attention for teams entering the development process. And four teams chose Amprius battery to power their solar (inaudible).

The high energy density and the high power density capability of our batteries are critical for this application. These are just a few of the ways Amprius is changing the battery landscape. We are constantly evolving our products to push up our industry (inaudible) and to meet our customer performance goals.

Turning into our business development efforts, we continue to see significant (ph) demand for our products in the second quarter. We shift to 27 total customers this quarter, up from 16 in last few years, the second quarter, and up from 19 in the first quarter of this year. These customer relationships extended beyond technical engagements and with customers who have placed product orders with Amprius. This includes repeat customers like Airbus, Aero Environment and the (inaudible) who continue to show their support and demand for Amprius batteries, with additional orders and the commercial shipments.

We shipped to 10 new customers in the quarter as well, which indicates growing industry recognition and the validation of our products. In addition, our parallel pipeline of the potential customers remains strong. Two key ways that we bolster our pipeline through the strategical technical engagements and prototype shipments. In the second quarter, we not only saw significant progress in our ongoing technical engagements, we also start a new technical engagement with a leading high performance automotive OEM. This engagement is expected to be part of a joint development contract we are finalizing with the manufacturer. Once finalized, we believe that this engagement will offer us another encouraging opportunity in the automotive space.

As for protype segments, this quarter, we made a site visit to two battery pack manufacturers, to whom we started shipping samples in the fourth quarter of last year. We believe that this visit serves as meaningful steps toward a significant potential demand from the aviation

industry through 2025 and beyond. In addition to driving demand for our batteries, it remains a priority for our business to expand our production capacity to meet this demand. We believe that this is a critical part of our strategy, both in short term as we work to expand our Amprius Lab in Fremont, California, and over the medium and long-term as we strive to achieve gigawatt scale manufacturing with Amprius (inaudible) in Brighton Colorado.

Amprius Lab will allow us to increase our production capacity to 10 times what it is today year end, providing enough capacity to both expand commercial shipments within our (inaudible) accounts, as well as the shipped samples to our pipeline of potential customers. Our expanded Fremont production facility is designed to have a full lithium ion battery manufacturing capabilities, including (inaudible) and a careful production as well as automated cell assembly, enabling us to further develop a (inaudible) energy and a cell chemistry in house.

In the second quarter, we ordered the necessary equipment to begin executing our Amprius led (inaudible) and expansion, a process that we are on track to complete, the end of the year, in hopes of having facility up and running entering 2024. We are also working diligently to meeting our project plan for Amprius Fab, our growth engine (ph), which will allow us to reach high volume manufacturing capacity. As a reminder, our planned 774,000 square foot largest scale production facility is a part of the total site, with over 1.3 square feet available for expansion. Expect to be the first mass production site for the next generation battery technology in the United States.

The initial phase of our build out will provide the potential of up to five gigawatt hour with expansion capability for up to a total potential manufacturing capacity of a 10 gigawatt hour. Amprius Fab site is already equipped with electrical power and existing structural layout needed for gigawatt scale lithium ion batteries, which will reduce our build out cost and the time to market. We are now working through the rezoning and the site permitting processes and we believe we are on schedule to begin construction Amprius Fab later in the third quarter, as part of our 18 to 24 month plan. Our goal is to be operational in 2025, and so for this call, we remain on track to meet this timeline.

This quarter, our engineering team worked with the central 17 in Germany to complete the necessary silicon nanowire annual mass production equipment. The process has been in optimization efforts. The process to optimize will be deployed at Amprius Lab's manufacturing line and ultimately at Amprius Fab. Both Amprius Led and Amprius Fab will have high performance Amprius (inaudible) and or battery manufacturing capabilities.

I have one final update before I turn the call over to Sandra. We recently appoint Mary Gustanski as an independent director to our Board of Directors and our competition (ph) committee. Mary is very versed in various challenges and opportunities in our industry and offers a unique and a varied perspective to our Board. We are confident that her extensive automotive sector and the technical management experience will help us as we navigate and expand into new markets.

With that overview complete, I will now turn the call over to our CFO, Sandra Wallach, to review our financial results for the quarter. Sandra?

Sandra Wallach
Thank you, Kang. I would now like to spend a few minutes covering some key financial updates. As a reminder, our detailed financials can be found in our shareholder letter. We finished the second quarter with $1.6 million in revenue, $0.9 million increased compared to $0.7 million in the same quarter last year.

There were two main drivers of this increase. First, we drove a $0.6 million increase in product revenue. As Kang mentioned, our product revenue was largely driven by shipments to 27 customers this quarter, a quarterly record for Amprius. Also, of these customers, five customers represented greater than 10% of revenue, as compared to three such customers last quarter, and two such customers in last year's Q2. Even though our product revenue remains largely driven by customer purchase orders that can arrive at uneven times throughout the year, we have shown consistent new customer growth and diversification in recent quarters.

Second, our development services revenue totaled $0.3 million, a reflection of the Army safe sell delivery we completed in the quarter. As noted in previous quarters, our development services revenue is intermittent based on revenue recognition timing. And as our capacity expands and more customers transition to commercial orders, we expect this revenue category to continue to decline as a percentage of overall revenue as we begin to process larger orders from a broader customer set, and as our product revenue ramps even more. Our government grant revenue was flat year-over-year for the quarter.

Moving to our profitability metrics, our GAAP gross margin was negative 186% in the second quarter, in line with our Q2 '22 gross margin of negative 197% and better than our Q1 '23 gross margin of negative 518%, which was primarily impacted by non-recurring startup charges for our large-scale manufacturing facility. As the build out continues and construction begins in earnest, we expect these scale-up related charges to increase. Still, we are confident that our GAAP gross margins will begin to normalize as we approach our capacity expansion goals in the coming years.

Now, on to our operating expense management. Our GAAP operating expenses for the second quarter increased to $7.1 million, largely due to increased public company cost and additional targeted investments in R&D staffing. Our GAAP net loss for the second quarter of 2023 was $9.4 million or a net loss of $0.11 cents per share. As of June 30, 2023, we had 86 million shares outstanding. Also, as of June 30, 2023, there were 72 full time employees, with those employees primarily based in our Fremont, California location. Our share based compensation for the quarter was $0.9 million.

Now, turning to the balance sheet, we exited the second quarter with $65 million in cash, up $0.8 million from the last quarter, and no debt. One of the key drivers of our cash activity for the quarter was $5.6 million used in operating activities. As discussed previously, our run rate for Cash used and operating activities remains projected to be around $2 million per month, excluding audit and transaction related expenses. Other drivers include $1.7 million in build out related investments in the expansion of our Amprius Lab facility in Fremont, and $8.1 million in financing cash inflow from accessing our committed equity facility to fund our capacity expansion, and operating cash requirements. Considering our business achievements and ongoing projects, we believe we are efficiently using capital to drive Amprius forward.

Before I turn the call back over to Kang, I would like to take a moment to discuss our outlook. As mentioned last quarter, we have several ongoing development services programs, with performance obligations that we expect to complete within 2023, which means we should see increased revenue recognition weighted more heavily towards the latter part of the year. Also, we anticipate that our G&A costs will continue at the higher rate we experienced earlier this year when accounting for additional public company and transaction related expenses.

Also, we continue to expect to be capacity constrained until we exit 2023, when our new two megawatt hour capacity is projected to come online. That project, along with our build out of Amprius Fab in Brighton Colorado, remain our top capital allocation priorities. We believe that we are on track with our prior CapEx projections, which are that we expect to spend approximately $10 million to $12 million completing the build out of the Amprius Lab facility in Fremont by the end of the year, as well as $50 to $80 million in the second half of this year as we start construction at Amprius Fab and begin to order long lead time equipment. We expect to confirm the facility design and scale, as well as provide a projected budget during the second half of this year.

Our spending pattern is dependent upon several factors outside of our control, including the timing of rezoning approval for the Colorado site, so we expect to provide more specific projections, as we have additional information to share. Overall, with the strength of our balance sheet and multiple vehicles to generate additional funding, through both equity issuances that just warrants and sales under our committed equity facility, and non-dilutive sources such as grants, loans and incentives. We believe we will have enough cash to execute on our strategic plan.

With that, I will conclude the financial discussion and pass the call back to Kang.

Kang Sun
Thanks. Thank you. I'd like to re-emphasize a few key points before closing. First, Amprius (inaudible) technology continues to demonstrate unmatched performance in the industry. Amprius batteries (inaudible) a firm leader in 50 energy, power, charging time temperature performance and are uniquely positioned for the electrical mobility market. Second, Amprius

batteries are commercially available today. We have been seeking commercial products since 2018, and our technological advancement continued to bring in significant customer demand.

This quarter, we not only delivered to repeat customers and expand our technical engagements, we added 10 new customers as well. Our demand pipeline is robust, and we look forward to further building out our customer book in the coming quarters. Third, we are scaling our manufacturing capacity to serve the (inaudible) demand ahead. Exiting 2023, we will further pull out our largest scale manufacturing process and the parameters with our two megawatt hour production line at Amprius Lab in Fremont. We also remain on track to build out Amprius Fab, our gigawatt scale facility in Brighton, Colorado, which we expect to the operation are entering 2025.

Finally, we are looking forward to several exciting milestones over the rest of the 2023 before end of the year. We expect secure customer commitments to fulfill Amprius Fab's expect production capacity for 2025, deliver 500 hour per kilo batter prototypes (inaudible) customers, complete our megawatt hour scale to so we can handle battery manufacturing facility at Amprius Lab and start Amprius Fab construction and complete our product line and the facility equipment purchases.

As we look to the rest of the year, our strategy and the focus at Amprius remains unchanged. We have a tremendous opportunity ahead with a product portfolio that positions us to both growth in the aviation market and expand it to other industries within battery with the leading performance. Opportunities in front of Amprius are enormous, including the 1.25 building conformal variable battery market by 2030, the (inaudible) fueling aviation market by 2025, and the 67 EV battery market by 2025. All of which, Amprius grows past in coming years.

2023 has been a very productive year for (inaudible). Our starting performance in this quarter has demonstrated our team's ability to deliver what we have planned and promised. Thank you for your continued support of Amprius Technologies.

With that, I will turn it back to the operator for Q&A.

Operator
Thank you. At this time, we'll open the line for questions. The company requests that each participant limit themselves to one question and one follow up. If you would like to ask a question, please press star, one, on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two, if you'd like to remove your question from the queue. For participants even prefer equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question is from Colin Rusch with Oppenheimer. Please proceed with your question.

Colin Rusch

Thanks so much. Can you talk a little bit about where you're at from a testing perspective around the subsystems for the megawatt scale tool, and when you expect to really kind of just flip the switch and start running that full-out?

Kang Sun
Yeah, Colin. We have test our – some of you are talking about the (inaudible) here. So at Fremont, we already finished the almost the full test in Germany at a central (inaudible), while our supplier for (inaudible) and/or position to, so we expected to transfer that move--that entire piece to Fremont. So by the end of the year, we will have that are part of the equipment in place. So that's the key part of this entire manufacturing process. If we get that right, the rest of those are relatively easy.

Colin Rusch
Excellent. And then with the customers, obviously adding incremental 10 customers is an awful lot for the company at this point. Can you talk a little bit about what percentage of that are customers who are sampling and how many of those are folks that are taking commercial product at this point for particular applications?

Kang Sun
Yeah. As a new customer, I think approximately, in terms of processing--they all have processing orders, even the properties. Some bring prototyping, some are really qualified our products, I would say 40% of those customers are really qualified our products (inaudible) purchasing for their commercial applications.

Colin Rusch
That's incredibly helpful. And then one for Sandra. Just in terms of the the cadence of the cash flow for the balance of the year, how would you characterize the spend in terms of how much is going towards equipment orders, how much is going towards facilitation? And how much is going into third quarter versus fourth quarter?

Sandra Wallach
So we're going to keep our operating activities relatively flat as far as use of cash. We've got about 10 to 12 million more to finish out Fremont, and we're projecting somewhere between, and this is all dependent on timing, but the demand for the construction and the pre-ordering of the long lead time items is estimated to be on the low end, $50 million, on the high end, $80 million for Colorado.

Colin Rusch
Excellent. Appreciate it. Thanks so much, guys.

Operator
Thank you. Our next question is from Chris Southern with B. Riley Securities. Please proceed with your question.

Chris Southern
Hey, guys. Thanks for taking my questions. Maybe just on the performance automotive OEM, can you give us a sense of the timelines we should expect for updates there? And can you share what you hope the goals of the joint development contracts will potentially lay out? And I'm just kind of curious from high level standpoint, do you think this changes your potential timeline for commercialization in the automotive sector or should we kind of temper the enthusiasm around that in the near-term, mid-term?

Kang Sun
So we are already engaged with this customer for some time. Again, now we would like to formalize the relationship in which the stable one would be joined the development program. This is a very easy thing for us. This is a high performance (inaudible) vehicle manufacturer, so it's going to guide us into this business. So we expect we'll finalize this agreement in the next month or so.

Chris Southern
Okay. And then maybe just on the battery pack manufacturing relationships that you called out in the later and earlier on the call, can you talk a bit about how that fits into the overall customer strategy? Did the larger customers, you've talked about, like Airbus, (inaudible) kind of in-house pack manufacturing, or is it around kind of standardized cells for specific applications for smaller customers, and just kind of talk through what those relationships mean?

Kang Sun
Yeah. The Amprius Lab in Fremont, okay, will have 10 times more capacity than water we have today. That's very, very significant. In addition to that, we will have this large tool in place. This is going to improve our battery performance as well because we have better uniformity, we have better control over our actual manufacturing here. So for the added time, we still customize our batteries, each designed for specific customers, for major customers. For the smaller customer, of course, they take what we have here.

Now, automatically not only we wanted to standardize the battery cell, the industry is moving to that direction as well.

Chris Southern
Okay. And on the pack side, though, you called out visiting two pack manufacturers? As you're kind of starting to standardize this out, is it more standardized packs that you'd expect as well?

Kang Sun
Yeah. Chris, we have two types of customers. One type customer is OEM. For example, Airbus. We work with them directly. Since we are batter cell manufacturer, so our customer rely on the tech company or the module company to put the cell together and then make a module and

the pack for their commercial application. So the pack companies are very important customer of Amprius Technologies as well.

So those two customers we visited are the leaders in this business. They already have standardized the module to supply to the industry. The main purpose of visit is to discuss long-term working relationship supply agreement. So now to 2025 and beyond. This is a very important because we have 500 megawatt facilities is under construction. By the time we finish, we need to have full capacity operation. This was the purpose of this visit. We have very good relationship with the customers at this time.

Chris Southern
Got it. No, that's great to hear. I'll hop in the queue. Thanks, guys.

Operator
Thank you. Our next question is from Tim Moore with EF Hutton. Please proceed with your question.

Tim Moore
Thanks. And your shareholder letter commentary today was insightful. I've got two questions here. Your your commercial success is quite evident with 27 total customers shipped this quarter, up from 16 a year ago and 19 in the March quarter. As I think out to your added capacity and that plan for the year 2025, how do you prioritize production for specific customer proposals that come across your desk?

I mean, clearly the U.S. Army safe cell development has been in the works since two summers ago. The PAC Systems stratospheric flight batteries were nice headline accolades. But can you maybe share and rank, maybe, how you handle the incoming opportunities and prioritize them? Is it this year, you're trying to demonstrate a wider range of applications for your offerings, like solar and flight and Army, or is it really more based on something like sales potential three years out from a single customized customer?

Kang Sun
Yeah, Tim. Serve our existing customers, certainly is our priority. Right? Those customers show their loyalty to us. So we have, for example, Airbus. We have been working with them since 2018. So existing customer certainly is our priority. They have priority on the capacity and location. But we have a lot of inquiries from in the market. That's the reason we build a new capacity. The Fremont capacity, could it be 10 times more production capacity than what we have today. This is a very, very helpful for us to develop new customers.

Tim Moore
That's helpful. Your company have clearly has a lot of great advantages beyond just power density and fast charge time and your healthy balance sheet. Obviously, you're not solely a developer, but you're actually doing manufacturing with firm orders and production in house.

As you kind of approach new customers and new prospects, are you seeing anything in particular that you can point to that maybe helping you win orders better? Is it extreme fast charge, the zero to 80% data charge in six minutes, or is it really the power density? Is one thing over another really kind of the icing on the cake to win orders?

Kang Sun
Tim, for Amprius today, is focusing on aviation markets. For aviation markets, three top priority, safety, energy and the power. They cannot miss any one of this, because of the safety is absolutely important for aviation and our company in the leadership position for safety. We passed the United States Army military spec for safety. Second, energy is very important because this dictates how far they can fly. This is very, very important for them. Otherwise, they don't have any commercial value if they cannot fly far enough.

The third one is power. They need to have power to lift off and landing. This is a reason that Amprius has a lot of customer inquiries, because if we were looking at the market, there is almost no battery chemistry today can deliver water we have here in addition to safety and have very little compromise between the power and energy. As our new release published just a few days ago, we have a 400 watt hour per kilo battery can deliver 10-C power capabilities.

Tim Moore
Great, Kang. That's very helpful. I'll save my questions for offline later. Thanks.

Kang Sun
Thanks.

Operator
Thank you. Our next question is from Abhi Sinha with Northland Financial. Please proceed with your question.

Abhi Sinha
Yeah. Hi. Thanks for taking my questions. And just on the customers, I just want to press on more than that. If you could talk about the process of acquiring a new customer, like, what does it take in terms of the process and the timeline, before you get an order? And more importantly, if you could talk about the feedback that you get from the customers from who you are not able to get the orders, like, what do they have to say?

Kang Sun
Okay. First, let's talk about what are they wanting in terms of product specs. Our customer, basically, as I mentioned earlier, contain three things, okay, safety, energy, and the power. Now, we thought of those three performance parameter needed that spec, and there is no discussion. So those are very, very important parameters that we need to deliver.

Now, in addition to that, the customer, we don't get an order, normally is a capacity issue. This is a wide Amprius has been focusing on the capacity expansion about 12 or 18 months ago. That's our primary focus. The customer will not engage with us if they cannot, if we cannot guarantee, we can support their growth, for example, in next 24 months, at least. The customer have visited in Europe the United States recently, they basically ask us to guarantee until 2026. They want to see that there is a roadmap to the capacity expansion before they place an order.

Abhi Sinha
Thank you. That's helpful. So just on that, when you go to a new customer, when you provide a demo or something, how long does it take for them to approve or to place an order?

Kang Sun
Varies. Okay? Some customer takes about seven, eight months, be done, because they take our standard approach products. They take a test. They see other people use it. So it's relatively easy. But for the new program started from the scratch, okay, they have a different technical spec to meet. That will usually take a year and a half. Definitely, aviation is much shorter than the electrical vehicle, at this time, okay. In the future, the lead time may be longer because when we have--at this moment, the most customer we are working with are unmanned flying devices, okay, like, super civilized drones, okay? Once we get a passenger carrying vehicle, then the time over development will take longer. When we see the development time, okay, this is two parts. One part is our battery development, another part is our customers own product development.

Abhi Sinha
All right. Thank you very much, sir.

Operator
At this time, this concludes our question and answer session. If you have any additional questions, you may contact Amprius Investor Relations team at ir@amprius.com. I'd now like to turn the call back over to Dr. Sun for any closing remarks.

Kang Sun
Thanks again, everyone, for joining us today. I also like to thank our employees, partners and the shareholders for their continued support. As a reminder, you may learn more about our company from the additional updates and learn about upcoming events and presentations from the investor relations section of our website. We look forward to updating you on Amprius progress on our next call. Operator?

Operator
Thank you for joining us today for Amprius Technologies Second Quarter 2023 Earnings Conference Call. You may now disconnect.