Amprius Technologies
Q3 2024 Earnings Call
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Presenters
Dr. Kang Sun, CEO
Sandra Wallach, CFO

Q&A Participants
Colin Rusch - Oppenheimer
Mark Shooter - William Blair
Chip Moore - Roth
Jeff Grampp - Alliance Global
Ted Jackson - Northland Securities

Operator
Good afternoon. Welcome to the Amprius Technologies' Third Quarter 2024 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 new applications, and the timing and ability of Amprius to expand its manufacturing capacity, build its large scale manufacturing facility, scale its business and achieve a sustainable cost structure.

These statements involve known and unknown risks, uncertainties and other important factors that may cause Amprius' 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' filings with the Securities and Exchange Commission. Finally, I would like to remind everyone that this conference call is being webcasted, and a recording will be made available for replay on the company's Investor Relations website@ir.amprius.com. In addition to the webcast, the company has posted a 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' Technologies' CEO, Dr. Kang Sun, for his comments. Sir, please proceed.

Kan Sun
Welcome, everyone, and thank you for joining us this afternoon. On today's call, I will give you overview of our third quarter accomplishments, while also highlighting some of the upcoming milestones we are looking forward to achieving in the near future. After that, our CFO Sandra

Wallach, will discuss our financial results for the period. Then I will share some closing remarks before opening the call for questions.

Before I give a recap of the quarter, I would like to briefly introduce Amprius to those who may be new to our company. Amprius is a pioneer and a leader in the silicon anode (ph) battery space. At Amprius, we develop, manufacture and market high energy density and high power density silicon anode batteries with applications across all segments of electrical mobility, including the aviation and the EV industrials.

Today, Amprius commence performance leadership with the compilation of battery energy density, power density, charging time, orbiting temperature range and safety. Across our battery portfolio, we offer unmatched performance among these commercially available batteries. Ampruis has been delivering commercial batteries to the market with up to 450 watts per kilo and 1,150 (inaudible) liter (inaudible) sea power capability. The extremely fast charge rate of 0% to 80% rate of charge in approximately six minutes. The ability to operate in a wider temperature range of minus 30 degrees Celsius, up to 55 degrees Celsius, and the safety design features that enable us to pass the United States military's benchmark NEO (ph) penetration test.

Each of these performance parameters is critically important to real world electrical mobility applications. Not only do our battery enable certain aircraft and vehicles to maximize performance, but they enable our customers to achieve their economic targets as well. In addition to what is commercially available today, we have also achieved third-party validation of our latest 500 watt per kilo, 1,300 watt per liter battery platform. This battery will be ready for shipment by end of this year. It is our belief that there are no other commercial batteries on the market that can perform at this level today.

Amprius is a silicon anode battery technology pioneer with over a decade of development experience and the long track record of commercial shipments and customer achievements. While Amprius energy high power batteries are for all electrical mobility applications, company is presently serving two large and high growth segments, aviation and light electrical vehicles, most benefits from MPS battery performance and present Amprius with enormous business opportunities.

Our aviation customers include manufacturing OEMs in high altitude of (inaudible) satellites, EV tours (ph), electrical aircraft and various drones from commercial to industrial to military. (Inaudible) business insights projects that the global drone market will surge from the 18 building in 2023, to 213 building by 2032. So we believe we are just at the beginning of a significant expansion of one of our addressable markets. Airspace testing international forecasts, the electrical aircraft and the EV top battery market could be 50 building by 2030. The light electrical vehicle market is quite impressive as well.

Providence Research reports estimates the market will have a compound annual growth rate of 9.74% from 2023 to reach 206 building by 2032. If there is one constraint in all of this, is the critical role of the battery innovation. At Amprius, we offer solutions to this constraint, and our third quarter results reflect our traction in both the aviation and the light electrical vehicle industries, as customers see the value of our technology.

The third quarter more than doubled revenue from the second quarter and engaged with 53 new customers. We have expanded our market participation. The light electrical vehicle segment signed the $20 million of customer contracts and two ROIs with Fortune 500 industrial leaders, delivered a high energy density 360 watt per kilo EV battery cells to industrial consortium, US ABC, and developed a gigawatt scale contract manufacturing capacities. All these accomplishments and the progress position Amprius for accelerated growth in coming quarters and the years.

The introduction of Amprius cycle battery in January has given us a large advantage in battery space by expanding our offerings. Amprius offers a very versatile platform that enables the designs of the battery performing silicon anode batteries for a variety of customer applications. Today, we offer customer 14 different SKUs that are available in a variety of battery formats and form factors. These cells, which range from 350, watt per kilo to 450 watt per kilo, ensure that we are covering a significant portion of our customers' commercial applications. Amprius batteries are recognized as the best in class for energy, power, cycle life, project time, temperature performance and the safety for electrical mobility. Our technology leadership and the battery performance are validated by increasing customer purchasing volume.

Now, I would like to briefly provide an update on our partnership with the United States Advanced Battery Consortium, or US ABC. It is a remarkable technical breakthrough in the important market segment for Amprius. After being awarded a $3 million cost of sharing contract from the US ABC, in collaboration with the United States Department of Energy approximately a year and a half ago, this quarter, we successfully delivered the EV cells to them. US ABC select Amprius to address some of the most challenging issues experienced by EV users, such as range and their need for faster charging time. Amprius not only address this issue but surpassed many of the initial goals set by US ABC.

Amprius EV cell achieved 360 watt per kilo energy density, 1,200 watt per kilo power density, charged to 90% of their (inaudible) energy in 15 minutes and expect cycle life of 1,000 (ph). We believe our continued success paved the way for future engagements with electrical vehicle manufacturers. Amprius batteries have become a great attraction in the electrical mobility market. In many cases, Ampruis battery are the only noncommercial available battery that meet a certain of our customers' requirements in technical performance and application economics.

In Q3 we shipped to 94 customers. Of these, 53 were new customers covering several parts of the electrical mobility sector. Our year-to-date, customer count now stands at over 175. Many

of these customers are also long time partners with repeat volume purchase orders, including auto, Airbus, Aerovironment, Teledyne FLIR, (inaudible), (inaudible) and the BAE systems. The completion of new customers and volume shipments to returning customers allowed us to generate a $7.9 million in revenue for the third quarter.

Our performance in third quarter represents more than double the amount of the revenue we generate just last quarter, almost triple what we generated in Q3 last year, and compares to the $9.1 million we generate in all of 2023. The primary driver behind our growth this quarter has been our cycle product. Since its launch in January, we have expanded our contract manufacturing capabilities, enabling us quickly scale production and deliver large volume shipment where we have a strong demand.

The three customer engagements we launched in Q3 are the results of the cycle platform introduction and the contract manufacturing strategy. The high performance of our battery and the immediate availability of manufacturing capacities enable us to quickly move customer through the commercial validation process, secure volume purchase commitments and deliver large quantities of sales to customers.

Look at some of these new agreements in more detail. In September, we announced that we received two contracts totaling over $20 million, to supply 40 amp per hour high performance cells for light electrical vehicle applications, which we are already shaping. For context, our 40 amp per hour high performance cycle battery are produced at a contract manufacturing facility as soon as the battery and the production lines are qualified by the customer, enabling us to rapidly scale the mid customer demand. We expect to recognize this revenue by mid 2025.

In the last few months, we have also signed two separate agreements with Fortune 500 leaders. While we are in the early stage of this project, both engagements have the potential to greatly expand and become high volume orders from tier one customers, where we now have capacity to meet the demand. The first of these contracts is a non-binding letter of intent with the Fortune global 500 technology OEM to develop a high energy (inaudible) cylindrical cell for the light electrical vehicle market. This IOI is expect to translate into a commercial supply agreement that will cover next five years and could provide Amprius with battery production order exceeding two gigawatt hours over the proposed contract duration.

We will begin shaping the first group of cycles, cylindrical cells designed for this application later this year. The second Fortune 500 agreement is a development contract for small format custom energy symax (ph) pouch cell. Amprius high energy battery provided a critical solution to the customer's application. The project is expected to reduce the battery width and the size, approximately 50% compared to their current battery without a compromising performance, as a smaller the lighter battery enables better product design, enhance the overall customer experience and offer a significant competitive advantage in the market. The application is a project to require over $1 million sales per year if the project objectives are met.

On that note, in order to support current as well as a future customer commitment, we took additional steps forward this quarter to increase our manufacturing capabilities. In June, we announced the initial rollout of our contract manufacturing strategy that is secured over 500 mega hour of additional capacity to several partners. To further diversify and expand our manufacturing capacities, we recently launched two lines designed for the requirements of amperes batteries, with one of our existing partners. These production lines will be supporting the $20 million light electrical vehicle battery orders that I just mentioned. They are already operational and shaping cells.

Beyond creating additional capacity, having lines engineered specifically for our product enable us to provide a more stringent designs for our cell chemistry, which is a key consideration for many of our highly technical customer applications. As of today, we now have access to up to 800 megawatt hour of a pouch (ph) cell, and over one gigawatt hour of a cylindrical cell production annually. As for our manufacturing facility, we are planning in Brighton, Colorado. We have now a complete production line specifications and selection, finished construction design drawings and specifications for the facility.

We remain on track from the regulatory standpoint, having recently submitted our site plan and advanced or other regulatory plans, applications for the facility. Since we have a gigawatt hour scale contract manufacturing capacity available today, we may not need the Colorado production capacity to support market demand for some time. We also are continue to making progress ramping up our facility in Fremont, California. We remain on pace to scale our Fremont production rate until in 2025 with up to two mega hour scale.

Looking ahead, we are increasingly optimistic about the road ahead of us, as well as our ability to meet the challenges. With technical leadership, great battery performance, a growing book of customers and the capacity to now support a large volume shipments, we believe that we are set up for sustainable growth for the foreseeable future. We are working hard to execute our goals, and we expect to carry our momentum through the end of the 2024 and leading to 2025.

With that, 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 third quarter with $7.9 million in total revenue. As we have previously discussed, our total revenue is a combination of our main revenue streams, product revenue and development services and grant revenue. This quarter, $6.1 million came from our product revenue, representing a $2.7 million or 81% increase sequentially, and a $3.9 million or 176% increase year-over-year. Our development services and grant revenue totaled $1.8 million this quarter, which was up from none in Q2 and up $1.2 million year-over-year.

As we've discussed in the past, development services and grant revenue is non-recurring in nature, leading to greater fluctuations depending on the comparison period. The combined increases in revenue this quarter were driven by the addition of new customers and grant programs. As Kang mentioned, we shipped to 94 customers in the third quarter. Of these customers, only four accounted for greater than 10% of revenue, an increase from three in the second quarter, and consistent with the four customers counted in the third quarter of last year.

Going forward, we will continue adding to our customer mix to diversify our revenue streams and provide more reliable product output as we get to a position of scale. Moving to our profitability metrics, gross margin was negative 65% for the quarter, compared to negative 195% in Q2 of 2024, and negative 152% in the prior year period. As a reminder, we see significant gross margin variation as our product and services revenue mix fluctuates. Gross margin this quarter was also impacted by design preconstruction costs related to the Colorado facility, which will not recur. Longer term, we're confident that our gap gross margin will begin to normalize as we approach our capacity expansion goals.

Now on to our operating expense management. Our operating expenses for the third quarter were $6.2 million, a decrease of $0.2 million or 4% compared with Q2 2024, and an increase of $1.3 million, or 26% from the prior year period. The sequential decrease was driven by lower share-based compensation and outside services. The year-over-year increase is primarily attributable to increase investment in sales, allocation of R&D from COGS as development services agreements run off and largely flat G&A. Our gap net loss for the third quarter was $10.9 million, or a net loss of $0.10 per share with $110.4 million weighted average number of shares outstanding.

In Q2, 2024, net loss was negative $0.13 per share with $97 million weighted average number of shares outstanding. Q3 2023, net loss was a negative 10 cents per share with $86.4 million weighted average number of shares outstanding. As of September 30, 2024, there were 92 full time employees, up from 88 at the end of the second quarter, with those employees primarily based in our Fremont, California location. Our share based compensation for the third quarter was $1.7 million, compared to $1.9 million in Q2 and $1.1 million in the prior year period. The sequential decline was due to changes to the Board of Directors.

As of September 30, 2024, we had 111.3 million shares outstanding, which was up 3.4 million from the prior quarter. That increase includes 3.1 million shares issued as part of the warrant exchange that reduced the total number of outstanding private warrants from 15.9 million to 0.3 million. Now turning to the balance sheet, we exited the third quarter with $35 million in net cash and no debt. Key drivers for the $11.4 million of cash we used in the quarter were $9.5 million used in operating cash flow. We continue to remain lean, with a $2.5 to $3 million run rate per month, excluding transaction related cost.

Note, that our Q3 24 operating cash included $2.4 million of non-recurring expenses used for the design of the Colorado facility. These expense expenses are projected to tail off with the completion of the construction drawings, which are substantially complete, $1.3 million used to continue the build out of our expanded two megawatt production line in Fremont, and $0.5 million related to the payment of stock issuance costs associated with the warrant repricing offer. 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 CapEx outlook for the remainder of the year. We expect to send another $1 million on supporting equipment to complete the two megawatt line in Fremont, in addition to our normal operating capital requirements. Now that the designs are effectively complete for Colorado, we will continue to monitor the larger industry dynamics, driving our ability to proceed further, timing and availability of funding, along with the monitoring of the overall sector for changes in demand, supply, battery cost structure, government incentives, trade tariffs and other considerations will influence our decision on next steps and timing.

One last housekeeping item I'd like to discuss is a change to our cap table after the end of the quarter. On October 23rd, we announced that Amprius Inc., our former controlling shareholder, had voluntarily liquidated and dissolved. As a result, the shares that Amprius Inc. held were distributed pro rata for a dissolution plan approved by their Board of Directors. This distribution removes a controlling shareholder consideration and dispenses the shares more broadly into the hands of the original investors in Amprius Inc.

Amprius Inc. also contributed to us 5.5 million common shares of Amprius Technologies and will reimburse related expenses in exchange for our assumption of the outstanding stock options of Amprius Inc., an aggregate of seven million options with a weighted average exercise price of $2.10 per share. There was no operating impact to Amprius Technologies as a result of this distribution or option assumption, and we extinguished the contributed shares. The option assumption was approved by a committee of the Amprius Technologies' Board of Directors comprised of solely independent and disinterested directors.

That concludes my financial discussion, and I will now pass the call back to Kang.

Kang Sun

Thanks, Sandra. As we look ahead, our strategy at Amprius remains unchanged. Our top priority, innovating next generation batteries, growing our customer base and scaling our manufacturing capabilities. Today, Amprius has the best performing battery for the electrical mobility market, strong revenue growth and an impressive customer pipeline and a gigawatt hour scale manufacturing capacity available to us. Our technical leadership and unmatched battery performance in the industry has been validated by industrial leaders and the repeated customer orders.

Our contract and manufacturing strategy has also shown great results. We are already able to support our customer with over 10 million pouch battery cells and 125 million cylindrical cells annually. We also recently celebrate the launch of a dedicated Amprius lines at one of our manufacturing partners, with the capacity for 800 megawatt hour of pouch cells. At the same time, we are exploring additional manufacturing partners in Asia and Europe, expanding our Fremont production capacity for (inaudible) battery production, and have finalized our design for the factory in Colorado.

We believe that the opportunity in front of Amprius is tremendous. Our team are more confident than ever in delivering what we have planned and promised. We look for forward to closing out a year strong and heading to 2025 with increasing momentum. Over the next few months, we will also be attending several industrial and financial conferences, and we hope to see you there. Thank you for your continued support of Amprius Technologies. We look forward to continuing to deliver on what we have planned, the promise in the upcoming quarters.

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 from the company's publishing research analysts, excuse me. The company requests that each participant limit their comments to one question, and one follow up. To ask a question, please press star, one, on your telephone keypad at this time. Again, that's star, one, if you do have a question or comment. Please hold as we poll for questions. And we'll take our first question from Colin Rusch from Oppenheimer, please go ahead, Colin.

Colin Rusch
Thanks so much, guys, and appreciate all the detail on the contract manufacturing capacity that you have. Would love to dig into the customer list a little bit more. Can you talk about how many customers are in late stage negotiations that have the potential to be 10 megawatt hours or more? And how should we think about the cadence of incremental customer announcements, like the one you just made?

Kang Sun
Yeah, according for the customer, have significant volume. We already conclude two customers combined revenue $20 million. We can deliver that within the year. Actually, we expect next May we can recognize the revenue. In addition to that, we have a conversation with another three customers. Those are high volume potential customers.

Colin Rusch
Great. That's super helpful. And then just given the change in strategy towards a CapEx light model, can you talk a little bit about the path to operational cash flow, break even? It seems

like you guys, given the differentiated product and the capacity availability, potentially have a pretty straight line towards where you change that operational break even.

Sandra Wallach
Absolutely. So as we've mentioned before, the product that we sell under the trademark of SiCore is profitable day one, without having to put any of our investor money to work in the capital and infrastructure. We have, still, limitations in how much of the synapse we can deliver given the up to two megawatts that we're completing in Fremont. We expect the near-term revenue growth to all come from SiCore. So that gives us a clearer view now that Kang has removed that capacity constraint to really grow into that operational profitability profile as we move forward.

Colin Rusch
And then, just from an organizational capacity perspective, on the OpEx side, can you talk a little bit about what investments you need to make to really support a drive towards break even revenue levels?

Sandra Wallach
So this last quarter, we made an investment of two additional salespeople. That's really been our big focus, along with business development and adding some key R&D resources into the Fremont team, so we can drive the cycles of learning faster. So that's really where we're looking, but at 92 employees, we're talking about a handful of really critical hires that we're focused on right now.

Colin Rusch
Super helpful. Thanks so much, you guys. (Inaudible).

Operator
Thank you. And we'll take our next question from Jed Dorsheimer from William Blair. Please go ahead, Jed.

Mark Shooter
Hi. You have Mark Shooter on for Jed. Just to put a finer point on Colin's question, are you saying that you'll be recognizing all of the $20 million by May, or that you'll start to recognize some revenue by May?

Kang Sun
Mark, at this time, our plan is to recognize the revenue by May.

Mark Shooter
OK. So by May of next year, you'll have $20 million in revenue from those customers?

Kang Sun

Yeah, $20 million from those customers. We already started shipping the product this quarter.

Mark Shooter
Got it. Thank you for the clarification, Kang. And to dive into that a bit more with the customer strategy, congrats on 175 customers. That is quite a lot. I'm wondering if your strategy is to continue to service many customers with more smaller volumes and bespoke cell designs, maybe to capture higher margin, or are you looking to secure more chunkier, large customers with higher volume? How are you thinking about that?

Kang Sun
Yeah. We like to focus on large customer with substantial volume, so that way, it's easier for us, not just product development, also the manufacturing and the service. So those are our top of the funnel, (inaudible) of them. But eventually, we hope there are sizable, large volume customers will place order.

Mark Shooter
OK. And lastly, at steady state, say, in a couple years out, when the facilities are ramped and you have large orders, do you have a gross margin target in mind, considering the cost for the Toller (ph)?

Sandra Wallach
We haven't given any guidance about our target model, but again, because the majority of the volume will be coming from SiCore, which is made on traditional graphite manufacturing lines, we see the reason why we can't get to parity with graphite.

Mark Shooter
Thank you very much.

Operator
Thank you. And we'll take our next question from Chip Moore from Roth. Please go ahead, Chip.

Chip Moore
Thanks for taking the question. Congrats on all of the progress this quarter. I wanted to follow up on the two $20 million contracts, it sounds like you're going to recognize by the middle of next year. Is there potential for those to grow, or should we think about a new set of purchase orders? Or what's the opportunity with those customers?

Kang Sun
Chip, at this time, the orders they place in the settings by their needs until middle next year. That's why, by middle of last year, those (inaudible) who made it and showed that the revenue will be recognized. But those are very important customers. They are the leaders in this particular segment, so we anticipate that they will grow to they will have additional order come

in sometimes next year, because they only satisfy half of the year of their demand. So we are working with those customers very closely. First task is to get those products and made it and have revenue regularized by May.

Chip Moore
Understood. That's helpful, Kang. And maybe for my follow up on the on the LOI in the light electric vehicle space, large potential, right, two gigawatt hours. I think you talked about a potential supply agreement five years. What are the milestones to reach that, in terms of samples and evaluation? I imagine that takes some time, but how should we think about that?

Kang Sun
Yeah, I think that the key this--is pretty (inaudible) technology. This is a require substantial change of the cell chemistry and the cell design. Now, we have done most of those. This is not from scratch. OK. The Amprius already has the foundation for both. So we need to perfect the cell design. We are planning to give them the first batch of the sample. OK. Whatever they ask for, no one in the industry has made it. Also, no one in the industry today believe this can be done. OK. But Amprius already demonstrated in the labs.

So they were planning to come to factory to check the factory out, December 5th, OK, because I will not be available. So we delayed this factory inspection probably to our next year. We convinced them they should test the sample first before they come to the factory. So this is a very reputable customer, is industrial leader, definitely is industry leader, is not a number one, number two with a particular market segment. So we are very proud of having this opportunity to serve them.

Chip Moore
Excellent. Appreciate it. I'll take the rest of mine offline. Thanks.

Operator
Thank you. And we'll take our next question from Jeff Grampp from Alliance Global. Please go ahead, Jeff.

Jeff Grampp
Afternoon. I had a question on the on the customer count metrics you guys provided. I think this was a new record, both for new customers as well as total, which I guess also kind of means it looks like existing customer count was also at a record. So I'm curious to drive into the main drivers of that, in particular, wondering, is this SiCore expansion and the capacity that you guys have secured, would you say that's the main catalyst to the increased receptivity, if you will, from customers, that they feel more conviction in your ability to deliver in volume, or what other factors might you see at play to drive this acceleration?

Kang Sun

Jeff, the first driver is our battery performance. There's no doubt about it, OK. They couldn't get a battery with the same performance anywhere in the industry today. I think that's the key driver. That's the key attraction for us in the marketplace. So before, we have capacity limitation, so our qualification process has been long and lengthy. For some customer we have we had to give up because we don't have enough capacity to serve them. So the SiCore introduction, plus our contract manufacturing strategies work very well for us. And not only we have a sufficient capacity to serve the customer, also customer credit familiar with our manufacturing process.

When we have a customer, November 18th, we have another large customer coming to China to look at our factory. That's why I will make a trip to Asia next week. So the driver is technology leadership and available manufacturing capacity, also manufacturing capability. Capacity and capability are two different things. Capability means our manufacturing line can deliver quality, can deliver the format and the form factor you want, also can deliver on time.

Jeff Grampp
Great. That's really helpful details. For my follow up, I was curious, that $20 million plus level order that you guys had a couple months ago now, given that that was for SiCore, which really hasn't even been in the market, I think, for a full year yet, it would seem to suggest, I guess, a pretty quick qualifying period for the customer. I'm curious if, in your sense, that's unique for that particular need, or how you're generally seeing customer qualification timelines changing, if at all, with SiCore and with some of your recent proof points, if you will, and de-risking this for customers? Thanks.

Kang Sun
Yeah, we accumulate sufficient data point for customers who review. Now, this is the Amprius battery. We have a long history. Now, we have a lot of data available for various batteries for customers to take a look. So what drag the qualification, most times are not our battery. OK. It will be the certification process. Now, depends on the application. This particular application, the certification process is much simpler than other applications. For example, EV (inaudible) battery qualification is much longer than the drone. The drone is much longer than lighter electrical vehicles. So depends on the application. The qualification cycle could be quite short, the customer can fairly quickly to qualify our battery. In this case, it is $20 million contract, we present our database. Customer did a very quick test to validate our data. At the same time, their qualification process is much shorter than other qualification processes.

Jeff Grampp
Got it. That's really helpful. I appreciate it. Thank you, guys.

Operator
As a reminder, that's star, one, if you do have a question or comment. And we'll take our next question from Ted Jackson from Northland Securities. Please go ahead, Ted.

Ted Jackson
Thank you very much. Good evening or good afternoon to you. I've got a couple of questions that are still left on my list. One is with regards to the spending on the Colorado facility and its impact on your third quarter gross margins, you said, if I listened to the call correctly, that it was $2.4 million. First of all, I want to verify that's what you said. And then secondly, can I assume from your commentary that the spend for kind of the legwork for that facility is kind of ramped down, and we could expect it to essentially be nonexistent with the fourth quarter and going forward? That's my first question.

Sandra Wallach
Yeah, Ted. So the $2.4 million was based on cash flow for operating cash. That's what we spent in the third quarter. There's always a difference between the P&L and cash, but the $2.4 million is related to the P&L, I'm sorry, to cash. And yes, we substantially completed all of the design and construction specifications in October. So we're expecting that to ramp down and drop to a very low rate until we're ready to spin back up and get started.

Ted Jackson
So what was the nut that was in your COGS for Colorado in the third quarter, just so I can kind of an apples to apples comparison when I think about your fourth quarter, since I won't be in there anymore?

Sandra Wallach
Let's see. It was a little bit higher than the cash basis. So it was closer to $2.9 million.

Ted Jackson
OK. So then just make sure I understand right. So all else being equal, if we had the exact same shipment levels in the fourth quarter that you had in the third quarter, that we would see your margin improved by just under $3 million bucks, simply because of that?

Sandra Wallach
Yes.

Ted Jackson
OK. That's cool (ph).

Sandra Wallach
Again, our margin fluctuates based on the mix of (inaudible)--

Ted Jackson
Yep. That's why I (inaudible) on it. So my next thing is just a bit of clarification. And when you talked about the Fremont facility and having to put another million in it in the fourth quarter, is that on top of, is that additional CapEx? Are you saying that your fourth quarter CapEx will basically be about $3 million? I mean, $1 million, excuse me.

Sandra Wallach
So it's $1 million to finish off the build out for the balance of the up to two megawatt capacity. Every factory I've ever been with has some normal run rate of CapEx for replacement and upgrade, but it's not a material number.

Ted Jackson
OK. I mean, that's helpful. And I'm sneaking this in, but it's still on the Fremont and then I'll get out of line and come back in. But when I listen to the commentary in red, you're expecting to exit 2024 with two megawatts of capacity available at Fremont, that you're there; is that correct?

Sandra Wallach
So we believe that we will be entering 2025 with the up to two megawatts of capacity. So two megawatts is the name plate, and we've been ramping through that, but we've always said that we'll be up to two megawatts.

Ted Jackson
OK. That's fair. That's fair. I'll step out of line and let someone else jump in. Thanks.

Operator
And 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 his closing remarks.

Kang Sun
Thanks again, everyone, for joining us today. As a reminder, you can find out more about our company, receive additional updates and learn about upcoming events and the presentations from the investor relations section of our website. We hope to see you at one of our upcoming events, and we'll continue to update you on the exciting progress we are making in transforming the electrical mobility market. Finally, I'd like to thank our employees, partners, and shareholders, for their continued support. Operator?

Operator
Thank you for joining us today for Amprius Technologies' Third Quarter 2024 Earnings Conference Call. You may now disconnect and have a great day.