

## Canoo Third Quarter 2022 Earnings November 9, 2022

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### Presenters

**Kunal Bhalla, SVP, Investor Relations and Capital Markets**

**Tony Aquila, CEO, Executive Chairman**

**Ramesh Murthy, Interim CFO and Chief Accounting Officer**

### Q&A Participants

**Amit Dayal, H.C. Wainwright**

**Bruce Chan, Stifel**

**Noel Parks, Tuohy Brothers**

### **Operator**

Greetings and welcome to the Canoo Third Quarter 2022 Earnings Call. At this time, all participants are in a listen-only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance during this conference, please press star-zero on your telephone keypad. Please note this conference is being recorded.

I will now turn the conference over to our host, Kunal Bhalla, Senior Vice President of Corporate Development and Capital Markets. Thank you. You may begin.

### **Kunal Bhalla**

Thank you and welcome, everyone, to Canoo's quarterly earnings conference call. Today I have with me investor, Chairman, and CEO Tony Aquila, along with interim CFO and Chief Accounting Officer Ramesh Murthy. Tony will provide an update on the business. Ramesh will then run through our financial results for the quarter, turning it back to Tony for closing remarks. We will then open the call up for questions.

Please be advised we may make forward-looking statements based on current expectations. These are subject to significant risks and uncertainties, and our actual results may differ materially. For a discussion of factors that could affect our future financial results and business, please refer to the disclosure in today's earnings release and on our most recent form 10-Q and 10-K and other reports that we may file with the SEC, including Form 8-Ks. All of our statements are made as of today and are based on information currently available to us. Except as required by law, we assume no obligation to update any such statements.

During this call, we'll discuss non-GAAP financial measures. You can find the reconciliation of these non-GAAP financial measures to GAAP financial measures in today's earnings release, which can be found on the IR section of our website.

Now please navigate to the webcast landing page and access the video link towards the bottom left of the page. We will pause briefly while you watch the video. And now I'll turn it over to Tony.

### **Tony Aquila**

Thanks, Kunal, and welcome, everyone, to the call. Thank you all for joining. Speaking to you today in the midst of global economic and geopolitical disruptions, the market and sector are under pressure, and these growing pains are compounded given the large group of younger companies.

I've said this before. Our team has weathered this type of environment successfully in the past. We have been through the tech bust, the '08 global financial crisis, and others. Our strategy is bearing out, and we will speak more about it today. We are a large investor compared to our peers, focused on creating long-term shareholder value. And sometimes you take more pain on the front end, so we're going to have a bit of a different approach compared to others in the space.

Our big news or no news approach is deliberate, keeping our cards close in a competitive market sector. Today, I am going to connect some of the dots so you can see more clearly our strategy as we get even closer to SOP. We have stayed focused on creating unique IP, increasing our patents by 13% to 205 total registered and pending patents in the third quarter. We had made the decision to manufacture domestically in the United States very early on, and we expect to achieve a 20,000 unit run rate capacity in 2023, doubling that capacity in 2024.

We have over \$300 million invested in machinery, equipment, and tooling, finished Gamma build phase with 118 vehicles built, and remain focused on the start of production. We are pioneering aspects of the automotive business model compared to both traditional and recent approaches. Some of this is becoming public now. We have more, and we will continue to release it over time.

We were ready for the Inflation Reduction Act, or IRA, and are leveraging our platform that is 92% sourced in the U.S. or allied nations. Targeting high-grade commercial customers, we are already positioned to choose who we partner with. 19 months since taking on the CEO role, our strategy is starting to come into light. We've made moves which you may not have understood at the time, but they put us ahead in light of the IRA bill, and now you see others are scrambling for alternatives.

We've been strategic and sequential in our actions to set up the building blocks for a long-term growth value creation and successful company. We focus on a use case driven technology platform architecture, and we finalized the MPP1 platform and derivative products, the LDV and the LV, with third-party validation, including real-world deliveries for one of our customers.

We have put a lot of work into making the MPP1 a foundation for our business. We are capable of producing 60,000 units of our MPP1. In future quarters, I will explain why that is important. We invested nearly \$1 billion in the creation of Canoo's technology, and now have over 205 registered and pending patents.

Early on, we changed our business model to develop IP for ourselves, not others. That has materialized into significant inbound interests as of late in licensing and strategic partnership opportunities, which we are currently evaluating. More to come on this in the future, but our focus is launching our own brand and, secondarily, pursuing those possible partnerships.

From the start, we've been focused on sourcing parts from America and allied nations, followed by a focus on domestic manufacturing. This isn't just patriotic, it is good business sense. IP and supply chain control helped position us well for the recent passed IRA. We developed partnerships with two states and a sovereign nation, Oklahoma, Arkansas, and the Cherokee Nation. We are making significant investments in these two states and will create an estimated 3,400 new high-tech American jobs.

To attract this investment, these jobs, and the significant economic impact they can bring over many years, Oklahoma, Arkansas, and local partners have offered us now rising to \$485 million in total incentives. Thanks to Governor Stitt, Governor Hutchinson, their economic development teams, legislators, and the partners in both states for their continued support.

In this phase, we have focused on large strategic customer commercial orders, securing high-grade credit commercial customers as well as a landmark NASA contract and further expanding our TAM into the rapidly growing, as we can all now see, government and defense opportunities. We received a U.S. Army contract for analysis and demonstration, and the service expects to begin experimenting at Camp Grayling this month. We will deliver the vehicle on schedule and with even greater functionality, a record breaking 140 days since we signed the contract to delivery.

We are working on other government related projects that leverage our unique IP and are continuing to develop IP, and we will share more in the coming quarters. As you know, we also selected a proven battery partner in Panasonic, and are honored to be selected as their second partner in North America besides Tesla.

You have been patient and we appreciate it, and today we announced our phase 2 manufacturing strategy. We previously announced a battery production facility earlier in this month in the MidAmerica Industrial Park with a highly automated high-speed production line. Today we are pleased to announce that we have entered into an agreement for the purchase of a vehicle manufacturing facility in Oklahoma City. This is a 120-acre facility with existing production ready infrastructure. It is strategically located and can close--and is close to on ramps and off ramps, has all of the transportation and ecosystems infrastructure, including rail.

We are planning to ramp to a 20,000 additional--initial annual run rate capacity in 2023, and up to a 40,000 annual run rate capacity by 2024, with opportunities for expansion. These two facilities underpin our phase 2 manufacturing plans and provide us the scalability and rapid ability to deliver vehicles to our customers in 2023, and bridge us to a mega micro factory in Pryor. The mega micro factory will now be on a separate capital track. More to come on this in the future.

Oklahoma City Mayor David Holt and the city's economic development team are outstanding advocates for their hometown. SOP starts this month with our contract manufacturing partners on our own equipment. Following these initial builds, we will then aggressively shift all our equipment and focus to our new facility during Q1 and Q2 of 2023 as we start production. We expect the first sellable vehicle deliveries to occur in the back half of Q1, and we will ramp production in 2H 2023 to 20,000 units run rate by year-end.

Moving on to software, another differentiator for Canoo, so let's talk in-house development software. We have a lot of experience in developing software for this industry in our other previous investments. We have deployed and are actively supporting our customers' mixed fleets today. 94% of all electrical devices on the vehicle can be updated over the air.

We have deployed 200+ successful OTA updates to our fleet. 2,500+ remote commands have also been successfully deployed across the fleet. We collected 150 data points and signals per second during customer test cycles, which resulted in 121 million data points per vehicle, helping us drive opportunities to reduce our BOM, increase our functionality, improve our data products' analytics, and improve the efficiency of the workflow for our partners.

We are focused on defining new types of business. We are not focused on the traditional 100-year-old OEM model. Our complete technology platform is assembled, harmonized, and articulated here in-house. This is a standalone business for us going forward, with many ongoing discussions, as mentioned prior.

The software code has been developed in-house and allows for a secure, flexible, and upgradable platform that can remain fresh across its cycle. Since taking over, we've moved from outsourcing to insourcing. That is IP creation. We focus on use case-based software driven approach. We are building an ecosystem that creates a high return on capital, as we have done previously for our customers, and open up new high-margin revenue streams for us all.

Moving on to sales, between our commercial sales and our reservations, production is sold out through 2024. Our order book growth over last quarter, we have \$2plus billion in total orders in our pipeline. We have grown our stage three contractual commitments to \$750 million, or 18,000 units, a 224% growth over the last quarter, including commitments from Zeeba for an initial binding commitment of 3,000 units for 2024, and from Kingbee, with a binding order of 9,300 American-made electric vehicles. We now have 42,000 units of stage two orders growing 57% over the last quarter, and over 50% of our orders are LDVs versus 28% last quarter.

We have also announced our virtual Canoo experience on our homepage. We are very happy to report that we had zero downtime during advanced customer road test programs. Now, let us move to an update from the field with customer road test programs.

We made over 1,400 deliveries covering 4,500+ miles during peak and nonpeak, metro, and rural environments over 41 days across two of these major metroplexes and rural areas, 65% to 70% remaining charge operating in 23 degrees to 110 degrees temperature, zero downtime and zero accidents. All necessary fixes and maintenance were completed during the post delivery window, offering customers a very specific program so that their uptime can be appreciated and achieve their new goals.

The road test programs have been a testament to our commitment and investment in extensive and rigorous vehicle and customer validation programs, and we have received very positive feedback from users on aspects such as the ride comfort, visibility, and workflow ergonomics. We're moving from engineering the product and now manufacturing it at scale.

Now we move to the next thing we have to prove. We successfully completed our Gamma builds and began homologation activities. We have completed all required manufacturer cost down and range coast down and range testing, and will be submitting our EPA application on Monday, November 14th.

We received preliminary range indications of 200+ based on testing at the--at an EPA certified facility. Activities for other certification processes to meet standards for FMVSS, CARB, and FCC compliance are also in process currently.

We are ready to start production. We are anxious about it. We're excited about it. We're focused on it for the lifestyle delivery vehicle, with SOP expected to launch on 11/17, and we aim to complete final certification in the first quarter of 2023. We're taking a disciplined, phased expansion approach to bringing on capacity based on committed orders. This is now proving to be a very good move for us, since the economy is now more turbulent and it's more difficult to sell vehicles one at a time.

As mentioned previously, during the first half of 2023, we will begin installing our existing machinery and equipment into our new facility. We will be phasing our expansion strategically by aligning our capacity with the committed order book, continuing our disciplined approach to accessing capital and capital allocations.

We will double our capacity and run rate from 20,000 by the end of 2023 to 40,000 by the end of 2024 and beyond as we bridge to our mega micro factory in Pryor. While we're a bit delayed in Pryor due to economic reasons, we have accelerated with the Cherokee Nation our partnership and are able to launch the battery assembly center in Pryor. So, jobs are ahead of schedule in that area, which is very strategic for many reasons.

Our manufacturing plan enables rapid geographic expansion and opportunistic joint ventures that we have track records of doing in the past globally, as my last company we expanded it to 96 countries. We will discuss this more in the future.

The LDVs components are below our goal of 1,600, which lowers BOM cost and reduces supply chain and build complexity without reducing the customer satisfaction. We are now ready to receive the tooling we previously acquired, and placed orders for outstanding equipment for our facilities. Our plan is to build 15 production vehicles this year. These vehicles will be allocated across our committed order customers, including some to NASA and Walmart, among others.

The last two quarters have been very tight. The macroeconomic has worsened, pushing the cost of capital higher and forcing us to accelerate our maturity and manage cost efficiently to achieve our goals. We have been doing our best to manage cash, continued access to liquidity, and dilution. We've reduced our cash burn by 25% over the last quarter, and we will continue to shift the expense mix, increasing the ratio of capital spend to operating spend, which we will also focus on the financing.

On the access of the financing front, we have secured an additional \$30 million in a PIPE and a note to be converted via cash or stock. We are in the final phases of evaluating multiple options to finance the Oklahoma facility that have--the team has been working on for quite some time. And last but not least, we are in the final stage of a fixed asset financing facility for our machinery and equipment.

Now I'd like to turn it over to Ramesh to give you more about the financial metrics. Ramesh?

**Ramesh Murthy**

Thank you, Tony. Before going into our third quarter results, I'd like to say we are making strategic and tactical decisions, with a focus on long-term shareholder value. We have been conservative and diligent with our spend, prioritizing the path to start of production in a sequential progression that lays the foundation and building blocks for growth so that we can scale at the right time.

Moving to the Q3 results, cash used in operations for the nine months ended September 30th, 2022, was \$329.9 million compared to \$180.6 million for the nine months ended September 30th, 2021. Capital expenditures were \$88.8 million for the nine months ended September 30th, 2022 compared to \$74.0 million for the nine months ended September 30th, 2021.

Net cash provided by financing activities for the nine months ended September 30th, 2021 was \$181.3 million compared to net cash used in financing activities of \$5.4 million for the nine months ended September 30th, 2021.

We have reduced our R&D spend by 50% compared to Q2. In the third quarter, research and development expenses were \$57.1 million compared to \$59.4 million in the prior year period. Excluding \$8.2 million of stock-based compensation, research and development expenses were \$48.9 million.

We also reduced our SG&A spend by 12% in Q3 compared to Q2. This is primarily due to a continued push to identify efficiencies and streamline our processes. We prioritized our spend to align with the start of production. SG&A expense was \$48.8 million for the quarter compared to \$45.5 million in the prior year period. Excluding \$11.3 million of stock-based compensation, SG&A expense was \$37.5 million.

GAAP net loss was \$117.7 million for the quarter compared to a GAAP net loss of \$80.9 million in the prior year period. Adjusted EBITDA was negative \$80.8 million for the year compared to negative \$85.8 million in the prior year period.

Turning to our forward-looking guidance, we continue to be tactical and judicious with our spend, and have revised our expenditure guidance for the remainder of the year by driving efficiencies as we move towards SOP. For Q4, we anticipate approximately \$70 million to \$90 million of operating expenses, excluding stock-based compensation, and \$30 million to \$50 million of capital expenditures.

We are now on track for a 40% reduction in operating expenses for the second half of the year, which is significant improvement compared to our previously disclosed projection of 20% reduction. This aligns with the operating plan we've laid out in this call.

To close, we continue to be tactical and strategic with our spend while focusing on achieving SOP. We have a great product and a significant customer demand. And we've doubled our order book to \$2 billion and we've sold out through 2024. We have machinery, tooling, and agreements for our manufacturing facilities in Oklahoma. We have access to capital and we are on path to production. Our customers will receive their vehicle allocations in 2023.

Before we open it up to questions, let me hand it to back to Tony for closing remarks. Tony?

**Tony Aquila**

Thank you, Ramesh. Look, I would really just like to again thank all the Canoo believers and supporters out there internally and externally. And it's a big task to do what we're doing. We're definitely punching out our milestones in a difficult backdrop.

And, you know, this is all about pushing through and the American spirit. These are the times when you make companies, and we gotta prove that. That's what we're focused on. And I want to thank all of you for your support, but we are determined. Kunal?

**Kunal Bhalla**

Thank you, Tony. Operator, please open up the line for questions.

**Operator**

Thank you. And at this time, we will conduct our question and answer session. 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 would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys.

Our first question comes from Amit Dayal with H.C. Wainwright. Please state your question.

**Amit Dayal**

Thank you. Good afternoon, guys. Congrats on the order build up and new customers, by the way. Tony, just in regards to this new facility announcement, you know, is there any risk of sort of double spend on this facility announced today versus, you know, what you guys need to do at the Pryor location?

**Tony Aquila**

No. So, the focus here, you know, was a--as you know, from the very beginning when I took over, we were kind of working under the framework of the prior business model, and it had contract manufacturing, which was currently slated to be overseas. Obviously, we were against that just because we saw a forward curve on that. So, we pivoted, got different contract manufacturing while we figured out if we could get state incentives in order to--and where we would have the best possible workforce for a long-term business venture.

And so, with that, we--you know, we started to formulate that the government and the military opportunities were going to be large, particularly for what our platform could do, which we'll kind of share soon. But, you know, the whole long-term plan would be that Oklahoma City would actually become a defense and specialty products site in phase 2 so that there would be no overlap.

And that--that's--you know, Oklahoma City is known for its 1,300 aerospace and defense companies, which just seemed like, with everything the way it is, that that opportunity had been cultivated. We got an incredible pricing on this. In fact, we made money on the buy. And it's got room for expansion and it's strategically located. So, you know, based on our current plan, there will not be overlap.

**Amit Dayal**

Okay. Thank you for that. And just going back to sort of your, you know, cost conserving efforts, the sequential drop in R&D that we saw in 3Q versus 2Q, is that part of those efforts, or is it just the natural evolution of, you know, you guys getting closer to commercialization and the R&D is now sort of behind you?



**Tony Aquila**

Yeah, I would say it's a little bit of both, right? I mean, I'd say some of it was us ramping down. Some of it is, you know, just us focusing in on lifting and shifting, because obviously Oklahoma City is now announced, and our deepening of our relationship with Oklahoma as the state and the--and city in Pryor. So, it just kind of--you know, it's those factors driving the change.

I do cringe a little bit when I'm spending less on R&D because I'm a big IP guy. But, you know, right now, it is the right thing for us to do to this phase, and we have the right people focused on the innovation areas associated to the customers we're focused on now.

**Amit Dayal**

Understood. And just one last one from me. Sort of on the financing side, I know you are, you know, shooting for just-in-time type of transactions to meet those needs. You know, what other needs do you have in terms of dollar amounts that are coming up to at least start, you know, making these deliveries in the second half or the first quarter next year?

**Tony Aquila**

Yeah, you know, I think, you know, we--we're fortunate to have some good external advisors and people that have partnered to execute. You know, we ran our ATM program successfully in a very, very difficult quarter. And we continue to kind of focus on the execution of that, because that kind of shores up the gap in our capital plan.

Because, you know, the reality of it is--in these deals like this, is on any given day there is a certain number of events that occur as you go to SOP that are just not planned in the system. So, that was kind of the reason we really wanted to get the ATM moving. And then we've still got \$170 million available, and we have \$190 million on the PPA.

You know, obviously, we're trying to be very, very disciplined. And, you know, in retrospect, you know, as you know, you look at all these companies that had all the money, money does not equal security. What equals security is achievements and milestones. And in tough times, you know, you gotta learn how to manage leaner and more efficient. It makes companies better. It's tough, but, you know, like we said earlier, we've--you know, a lot of the people that, you know, have come to join Canoo have worked with me in the past and survived multiple markets and successfully taking opportunities in those markets.

So, you know, I think we are not happy to be in a high inflationary, unstable supply chain environment, but we see huge opportunities in globalization. The platform is perfect for it. There are lots of cash in other markets, so the opportunity for joint ventures, like we've done in the past.

So, the access to capital, I know it bothers a lot of people. And it bothers Ramesh quite a bit, frankly. But, you know, for me, I've been doing this multiple times. You know, there's two times in business that I've been worried, and that tells you how much, you know, I'm generally always

worried, which is you know, one, when I have lots of cash, because I know efficiency will go down in the group, and you get a little careless. And I think, you know, the euphoric period is wearing off on people, and, you know, it's time to get back to competitiveness.

You know, in addition to that, I think, you know, being able to teach the crew here how to run a business on just-in-time milestone capital, you know, is a very disciplined approach as an investor, not just as the chairman and CEO. I know it is painful, but, you know, would you rather give a young company a lot of money, or would you rather give it money based on milestones?

I mean, the American way has proven that to be a successful model. We're very focused on it. It's worked for me. As I say, I'm always one deal away from screwing up my track record. But, you know, we got \$500 million in asset value, you know, we will unlock. And we will continue to access non-dilutive capital. I know today people do not appreciate that, as in many things over the last 19 months.

But, you know, we are focused and we are in it with you. So, you know, that's our approach. You know, I'm sad to see so many companies following--you know, falling on dire times, but I am proud of this team and the fact that we led the charge in bringing more financial discipline into these young companies, and us as one of them.

**Amit Dayal**

Thank you, Tony. That's all I have for now. I'll step back in queue. Appreciate it.

**Tony Aquila**

Appreciate you, man.

**Operator**

Thank you. Our next question comes from Bruce Chan with Stifel. Please go ahead.

**Bruce Chan**

Hey, good afternoon, everyone. Appreciate the time. Tony, you mentioned upfront the economic environment and the impact that that's having on your capital position and some of your costs. But from a commercial standpoint maybe, you know, you've got the Walmart deal. You've had some nice incremental wins from Kingbee and Zeeba. Are you seeing any slowing in the pipeline from customers that are maybe, you know, bit nervous about the next 12 to 24 months?

**Tony Aquila**

You know, we--we're only focused on Grade A, Triple B credit customers, right, with secured funding, because we'll finance those POs at a range that gives us favorable cash flow from, you know, when we start to product those orders. So, it's--our agreements are that way. Again, you know, these were all things we signaled early when the market was more euphoric about individual sales and all that stuff. The cost is just too dramatic for a young company.

But, you know, we've managed to reduce pieces in the vehicle and not lose functionality and beauty. The team's worked really hard on that. So, I think for us the pipeline's really good, actually, I mean, people calling in. Why? Because our price point's great. Our product has lots of space. The people that use it love it. You get employee satisfaction out of it.

And so far, you know, everybody we've gone against we've been, you know, blessed by God to be the winner. And we're very focused on that and we'll continue to do that. And, you know, I think the demand is really now based to us. We're going to be modulating customer expectations, which is the place you want to be in a bad economic cycle.

And you want Grade A, Triple B credit customers in your early evolutions because they also teach you a lot about your product before you put it, you know, widely and geographically spread across just individual consumers, who can get frustrated in new vehicle launches. You know, we built one of the largest data companies for the automotive industry, and it still is to this day. We have seen a lot of car launches. This is targeted. This is focused to not waste our shareholders' money and be able to ensure we retain our customers.

#### **Bruce Chan**

Okay, that's super helpful. And then maybe just a follow-up, you know, you talked a bit about price point and BOM costs. You know, we've seen a pretty material easing in, you know, supply chain fluidity and supply chain costs over the past few months. You know, container rates are now maybe, you know, five times or more lower than what they were, you know, earlier this year. Is that strategically causing you to rethink any of your near shoring or "friend shoring" activities and maybe start diversifying your sourcing at all?

#### **Tony Aquila**

Yeah. So, you know, look, we've been bringing stuff into the U.S. for quite a while quietly. It's been tough, you know, because we had to really rationalize our cash, get our terms better with our suppliers. You know, it's been a painful period as we kind of mature ourselves. And, you know, these are--you know, these are part of the evolutions you go through.

But, you know reducing the pieces without, you know, taking the functionality away has helped us manage, you know, the cost. We're still keeping our price point really good. We got room to bring it up and still be competitive. We're square in the zone to have room with the federal incentives and state incentives for EV credits.

So, I think we've done pretty well. There are still probably 100 more pieces I believe we can do in subassemblies and improve our efficiency and effectiveness. And we're going to be bringing in some very experienced people in the phase as we ramp that up in our manufacturing team. So--and we've got a good start of a team. We'll be focused on that team and bringing in people that are highly profitable, very experienced in multiple car launches.

**Bruce Chan**

Okay, great. I appreciate the time.

**Tony Aquila**

No worries, man. And I would just close with the fact that, you know, we're significantly--we're 92% U.S. and allied nations, and the U.S. part is growing. We've moved our development of all software in-house. We've taken away anything to do with China. You know, we've done all this stuff over the last 20 months. And, you know, I think someday we'll be seen for it. We've just gotta prove this next phase and probably the phase after that.

**Operator**

Thank you. Just a reminder to the audience, to ask a question, press star-one on your telephone keypad.

Our next question comes from Noel Parks with Tuohy Brothers. Please state your question.

**Noel Parks**

Hi. Good afternoon.

**Tony Aquila**

Hi, Noel.

**Noel Parks**

Just a couple things. Now that you're getting ever closer to seeing the ramp up in production that's been on the way for such a long time, can you talk a bit more--you mentioned it in--earlier, but talk a little bit more about the allocation of production as you ramp up to satisfy the backlog of customers? Just wondering if that's contractual or if it's, you know, essentially at your discretion depending on the particular customer.

**Tony Aquila**

Yeah. So, that's a great question, Noel. So, we--you know, like I said, being--watched many car launches and watching successful car launches get struggled in production in our past, we're very focused on upfront managing with our customers how we ramp them. You've got to have some flexibility in your delivery schedule. If you write agreements where you're contractually bound by extreme amount of units or set expectations, you're just going to make people upset.

So, that's kinda why we've been working the way we've been working. You know, it's been highly confidential, not even well populated within the company, but we're very focused on being able to make sure that we actually out deliver customer expectations rather than under delivering them.

**Noel Parks**

Great. Okay. And just about--a couple of your recent customer announcements of--about the Kingbee agreement and also the one with Zeeba, so two sizable, you know, fleet leasing providers. I wonder if you could just talk--well, anything you can--extra color you'd like to give on anything else would be great. But I--in particular about the service component of them and, you know, how--I guess whatever sort of maintenance obligations you have beyond sort of rollout of upgrades, you know, what that looks like and is there, like, a flat structure for--you know, per unit for sort of the maintenance, or certain thresholds that they have to stay below?

**Tony Aquila**

Yeah. So, I think for us, you know, we've got experience in doing these things in the past, and setting customer expectation in a euphoric period is extremely important, because at the end of the day, you know, they set a schedule. We are focused on professional use cases, so you can't screw those up. So, you know, you have to temper it.

And, you know, Walmart is incredibly savvy. The Kingbee team is impressive. Their growth trajectory is amazing. And the Zeeba team is just really focused on a great business model. And so, we're very selective. We believe we have a very unique product. I mean, to actually do what we did and have zero downtime, and to have such a resounding--100% of the drivers enjoyed it, and we exceeded their expectation. So, you know, we're also focused on the majority of this being updated over software without the customer being inconvenienced.

So, it's really important that you do not overpromise, as, you know, we got beat up in the earlier period of us taking over as we tried to bring our own tempo into the business. But I think it's starting to calibrate itself all around us. And, you know, even though it's going to be a tough year, hopefully we'll be a bright spot in it.

**Noel Parks**

Okay, great. Thanks a lot.

**Tony Aquila**

Yeah. Appreciate it, man.

**Operator**

Thank you. There are no further questions at this time. I'll hand the floor back to management for closing remarks.

**Tony Aquila**

Everybody, thanks again. Really meant what I said about appreciate you, everybody being our supporters and defenders. We're quiet, heads down, trying to get this job done. We got a lot to do. We're going to focus on doing it and doing it to the best of our ability.

And I just want to say to the team that built the Screaming Eagle, which is the vehicle we'll deliver to the military, I've never seen a delivery of a vehicle in 140 days. By the way, they

completed it in 100 days. I just want to give a shout out to all of them. I'm super proud, super privileged, and let's go. Thank you very much.

**Operator**

Thank you. This concludes today's conference. All parties may disconnect. Have a great day.