

**Canoo Fourth Quarter 2021 Earnings**  
**February 28, 2022**

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**Presenters**

**Nick Cunningham, SVP, Investor Relations and Capital Markets**

**Tony Aquila, CEO, Executive Chairman**

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

**Q&A Participants**

**Craig Irwin - Roth Capital Partners**

**Amit Dayal - H.C. Wainwright**

**Jaime Perez - RF Lafferty**

**Operator**

Greetings. Welcome to the Canoo Fourth Quarter and Fiscal Year 2021 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 the conference, please press star-zero on your telephone keypad. Please note this conference is being recorded.

I will now turn the conference over to your host, Nick Cunningham. Thank you. You may begin.

**Nick Cunningham**

Welcome to Canoo's quarterly earnings conference call. My name is Nick Cunningham, and I'm the SVP of Investor Relations and Capital Markets at Canoo. I recently joined Canoo after a 15 year career in investment banking, and I look forward to getting to know you all better. I chose to come in-house at Canoo because I believe in the company, vision, and leadership. I'm excited by the pace and speed of activity, and the mission to bring EVs to everyone.

Today I have with me investor, Chairman, and CEO Tony Aquila, and Interim CFO and Chief Accounting Officer Ramesh Murthy. Tony will provide an update on our activity last quarter. Ramesh will then review our financial results for the quarter and turn it back to Tony, who will provide closing remarks. We'll 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 reports that we may file on form 8-K with the SEC. 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. With that, I will turn the call over to Tony.

### **Tony Aquila**

Thanks, Nick, and welcome to the team. And thanks, everyone, for joining us as we report the fourth quarter and the final fiscal year 2021 wrap up. As we kick off fiscal year 2022, it is the perfect time to make clear who we are and who we are not.

We are not a traditional OEM. We are a high-tech advanced mobility company. I believe you are all starting to put the pieces together, and the best is yet to come. So, I want to thank all of our supporters, because you are also innovators and you see the same future we do. We are in it to change it, to build a company that is valued as a true high-tech, customer centric, advanced mobility company.

We know this takes time, sacrifice, perseverance, and even at times persecution by those who don't believe enough in the future and how different it will be, but we do. Those who join Canoo, if they have the same ethos, they will make it here. They find their home, passion, and mission to build a high-tech, cost affordable, long life ecological platform that is built upon diversity and inclusion from the very beginning.

We're not looking to create the next GM or Ford. We respect them, but we have no desire to be like them within our culture and/or the long-term outcome for investors. That said, we want all American OEMs or those working in advanced mobility to win. For us, this isn't just about competition to win. It's about competition for American innovation and ingenuity to win.

Those that are looking for just a job and some stock options are like travelers passing through on their way back to Detroit. At the very least, we hope to leave them more inspired.

We've decided to make our home in the Heartland amongst many great founders and founding families that are innovators generation after generation, that have protected the cost of living, higher education, affordable housing, healthcare, and inclusion blended with art, culture, and the adventure of American nature.

We are grateful and proud that Oklahoma and Arkansas and the Cherokee Nation are where we will make our platforms and our new home. These three coming together allows us an amazing workforce, people that understand what it's like to do what we do. By bringing two states and a nation together, we have greatly decreased our risks and accelerated our ability to grow.

Before I get into the big news or no news, I'd like to give a few shout outs: one, to Governor Kevin Stitt for the state of the state speech, especially the announcement to pass a bill for veterans to not pay state income tax and his commitment to increase taxpayers and not taxes; two, to Governor Asa Hutchinson for his commitment to electric charging stations across the

state of Arkansas and for the creation of the Council on Future Mobility; and to VDL and the Van der Leegte family, and Willem in particular, thank you for your support and partnership as we made the decision to bring back manufacturing to America ahead of our schedule. We remain here to help you in any way possible, and we hope your new deals come together; and especially to the team of Canoo, those members who have embraced both the re-founding and the aggressive execution of our plan.

Bringing manufacturing back to America was an important decision, as we can all tell by the geopolitical backdrop that is developing in front of us, and will be with us for some time to come. At the time, I know the decision was not popular to many of you. But as you can see now, it was the right decisive action to take.

Just to give you one point of how it's mitigating our risk, those that are still focused on manufacturing abroad and bringing products to the U.S. are facing rapidly growing shipping cost, supply chain disruptions and risks, labor cost increase due to inflation, and a great amount of currency risk. We believe many others in the coming quarters will have to explain their actions to mitigate increasing cost and volatility. We believe they could be impacting by up to 25% and weeks to months of additional lead time.

We are located in the Heartland, where we can reach anywhere in the country in the least amount of time by road, rail, or water. We believe this to be an important arbitrage that will be significant in the years to come. There is a reason why many of the greatest companies are quietly dug in to the Heartland. This part of the country delivers a disproportionate amount of goods to American households every day. We are inspired by their disciplined approach to creating value for America.

So, let me recap some of our key decisions. We secured a lease for our advanced manufacturing facility in Bentonville, Arkansas and broke ground on the second expansion. Forty percent of the equipment that is slated for Bentonville is already purchased and being used for our gamma builds, and a majority of the remaining 60% is already on its way. Seventy percent of our machinery and tooling CapEx will be located in America, and we will continue to build upon this.

And we have started laying the foundation for our mega microfactory in Pryor, Oklahoma. We've begun clearing ground, selected our group of partners that are helping us to execute the project. I will share more details with you as appropriate.

Sourcing and supply chain; manufacturing in America isn't just about assembly, it's also about sourcing. We are grateful to be one of the first companies that is 91% partnered and sourced with American and/or allied countries. Seven hundred-fifty parts of our 1,800 parts in our BOM from the LDV is sourced in the U.S., and we will continue to bring back more to America. We are now 93% sourced for our LDV. I would like to thank OESA for recently hosting us at an event

with more than 250 primarily American and allied nation suppliers to explore future partnerships.

Now on to supply chain. What's happening here shows the wise decision to pull forward and build in the U.S. If you look at our moves, our RBIs speak for themselves. As we've said before, we need two to three times less parts to produce our vehicles, which puts us at an advantage compared to a typical OEM. We are seeing some supply chain issues, but they are isolated to some of the semiconductor chips, where we are seeing a 35% increase in lead times. We will continue to closely monitor and update you on these developments. The geopolitical and pandemic impacts have proven out our strategy to accelerate bringing production back to the U.S.

For a gamma build update, as you know, we are now in the middle of our gamma builds, and I would like to share some progress. To date, we have built nine complete platforms and 15 ladder frames, produced 411 modules and 24 battery packs. We also finished 25% of the full slate of battery pack testing, with the remainder scheduled for completion in Q2.

With that said, we had hoped to build more vehicles, but January was a tough month because of omicron. We anticipated some of these factors. The number of gammas we announced to build was greater than the gammas we needed. This played into our favor as we navigated the impact of the virus, hitting an optimum threshold for testing. But the team worked through it, and we have five gamma properties undergoing critical winter testing. That is higher than most OEMs plan for.

On the sales side and go-to-market, on the sales we have signed a definitive purchase agreement for 1,000 vehicles for the state of Oklahoma. This would be a stage three order by our definition. With respect to our stage two orders, they have now grown to 14,962 units, a 60% increase over what we disclosed in Q2, which includes 1,000 vehicles for the state of Arkansas which we expect to move to stage three.

We remain focused on delivering 3,000 to 6,000 units in fiscal year 2022 and 14,000 to 17,000 units in 2023, for a cumulative of 17,000 to 23,000 units across this year and next. At this pace, as we advance sales negotiation with several potential partners, we are anticipating being oversold for our production volumes for '22 and '23. We are now shifting our focus to customer allocation and ways we can accelerate our delivery.

On the go-to-market side, when it comes to new vehicle launches, consumers have had a consistently inconsistent and unpleasant experience. We have studied this carefully and have experience in entering new markets and scaling them quickly. In my prior life, we achieved rolling out a new region every 60 days. We are initially targeting our phase one rollout in the Heartland itself, which would be Oklahoma, Arkansas, Texas, Missouri, Kansas, and possibly Tennessee. We will announce phase two and three at the appropriate time, and these will be tightly aligned with our customer experience and our customer agreements.

Moving on to other updates, we are in a capital-intensive business and we take a disciplined approach to managing our capital, our dilution, and the timing of raising additional capital. We are focused on non-dilutive sources of financing to help fund our growth. To date, we have secured approximately \$400 million in non-dilutive incentives from the states of Oklahoma and Arkansas.

In the quarter, Oklahoma awarded us, from the Governor's Quick Action Closing Fund, \$15 million to support American job creation and infrastructure development. Continuing our focus on non-dilutive capital, we are now able to access new sources of financing ranging from asset-backed inventory and working capital-based credit lines. At the appropriate time, we will disclose other capital raising efforts.

Before I turn it over to Ramesh, while we had a pretty good Q4 and a decent January, we continue to remain in a vigilant stance in these evolving times. And now, for our financials, Ramesh?

**Ramesh Murthy**

Thank you, Tony. Our fourth quarter of 2021 results are as follows: Research and development expenses of \$88.2 million for the quarter compared to \$90 million in the prior year period. Excluding \$3.1 million of stock-based compensation, research and development expense was \$85.1 million.

SG&A expense was \$50.7 million for the quarter compared to \$35.7 million in the prior year period. Excluding \$15.5 million of stock-based compensation, SG&A expense was \$35.2 million.

GAAP net loss was \$138.1 million for the quarter compared to a GAAP net loss of \$9.2 million in the prior year period. GAAP net loss in the fourth quarter of 2021 included a \$3.3 million non-cash gain on the fair value change of earnout shares liability related to the periodic remeasurement of the fair value of our contingent earnout shares liability.

Adjusted EBITDA was negative \$120.3 million for the quarter compared to negative \$42.5 million in the prior year period.

Our fiscal year 2021 results are as follows: Research and development expenses of \$246.2 million for the year compared to \$142.9 million in the prior year. Excluding \$25.8 million of stock-based compensation, research and development expense was \$220.4 million.

SG&A expense was \$194.7 million for the year compared to \$51.6 million in the prior year. Excluding \$82.3 million of stock-based compensation, SG&A expense was \$112.1 million.

GAAP net loss was \$346.8 million for the year compared to a GAAP net loss of \$86.7 million in the prior year. GAAP net loss in fiscal year 2021 included a \$104.4 million non-cash gain on the

fair value change of earnout shares liability related to the periodic remeasurement of the fair value of our contingent earnout shares liability.

Adjusted EBITDA was negative \$332.6 million for the year compared to negative \$108.3 million in the prior year.

Turning to the balance sheet and cash flow, we ended the quarter with \$224.7 million of cash and cash equivalents. Cash used in operations for the three and 12 months ended December 31st, 2021 was \$120.2 million and \$300.8 million respectively compared to \$42 million and \$107.1 million for the three and 12 months ended December 31st, 2020.

Capital expenditures were \$62.6 million and \$136.6 million for the three and 12 months ended December 31st, 2021 respectively compared to \$6.3 million and \$7.6 million for the three and 12 months ended December 31st, 2020.

Tony mentioned two points earlier that I'll share more details on now. First, I'm proud to announce today that we have successfully remediated all five of our material weaknesses in our internal controls over financial reporting. We added to our high quality and experienced staff to accomplish this with our second 10-K filing. I would like to thank each member of my team, the wider Canoo teams, and our external advisors for their support as we achieved this important milestone.

And the second point I'll expand on is VDL has returned our entire capital, a prepayment of \$30.4 million. On a constant currency basis, the return generated is equivalent to creating an additional 11 engineers or 30 manufacturing jobs in the Heartland. We also received an equity investment of \$8.4 million.

Turning to our guidance, for the first quarter of 2022, we anticipate the following expenditures: Approximately \$95 million to \$115 million for operating expenses, excluding stock-based compensation and depreciation, and approximately \$60 million to \$80 million for capital expenditures.

Before we open the call up for Q&A, I'll turn it over to Tony for closing remarks.

### **Tony Aquila**

Thank you, Ramesh. We are committed to bringing high-paying jobs to local communities. We are honored to place special focus on hiring veterans and Native Americans, and we're thankful to see that come to fruition as we move to stand up our facilities in Arkansas and Oklahoma.

I would like to thank all our supporters and partners again. We are doing something different here, and all of you are incredibly important to us. We will continue to keep our heads down and stick with our philosophy of big news or no news as we execute on our vision. Thank you.

**Nick Cunningham**

Thank you, Tony. Please navigate to the webcast landing page and access the video link on the right-hand side of your screen below your audio player. We will pause briefly while you watch the video.

Operator, please open it up for questions.

**Operator**

Thank you. At this time, we will be conducting a 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. Please be mindful of the number of questions you ask so that we may have adequate time to get to everyone. One moment, please, while we poll for questions.

Our first question is from Craig Irwin of Roth Capital Partners. Please proceed with your question.

**Craig Irwin**

Good evening. I really love that video. It's pretty snazzy, a great way to present the product. Tony, I wanted to ask if you could talk a little bit about the gamma testing, maybe if you could give us a little bit more color on the five properties out there. You know, I know you're probably bound by confidentiality about exactly who and where but can you maybe sort of tease out the character of the different programs where your vehicles are being evaluated? You know, what kind of companies are playing with the platform and, you know, what sort of opportunity there is with these different partners.

**Tony Aquila**

Yeah. I think first of all, hey Craig. Good to catch up. So we've seen a pretty diverse group of between upcoming businesses and strong legacy businesses that are making the transformation to bring it to me. I think as you saw, you know, we unveiled the LDV which has been pretty impressive. And hopefully you'll get a chance to come see it in person and ride in it. It has a tremendous amount of space and efficiency and a lot of safety for its workers. So it's getting a lot of positive -- I think we're gonna be in an allocation issue more than we are an order issue with the level of interest we're getting from both types of companies, the emerging ones and the legacy ones.

So we'll pick, you know, the allocation properly so we can, you know, get the right breadth for our 24, 2024. I think 2022 and 2023 is, you know, how we'll build that bridge to those companies. And while we're also delivering LVs to customers that have put in their orders. So, you know, I'd say from a square footage perspective, from a performance, from a density, from

an improvements in energy that we are packaging, designs work. You know, we're feeling pretty good.

But of course we live in a constant state of dissatisfaction and we know we can do better and we'll continue to evolve that through the gamma testing. But it was pretty exciting to see the vehicles come up online and when you power them up it's a pretty cool experience because it is a high tech platform. It's not like you're cranking over an engine. And, you know, they're out there in winter testing and they're doing really well.

But, you know, we wanted to build a few more units in January, but we had internal COVID Omicron issues, slowed us down. We had a few suppliers that suffered the same thing. And -- but we, you know, we've been conservative. I think, you know, you see everybody else as kind of bringing stuff down. I think we've got the right mix. Now we just gotta make sure we don't, you know, stumble on anything else. But from a customer perspective it's been an amazing quarter of interest and advancement in those relationships.

### **Craig Irwin**

Thank you. So my second question is about VDL Nedcar. So, congrats on the return of the capital. That's impressive. And what's even more impressive is that they make an equity investment in Canoo. Can you maybe talk about this partnership a little bit? It was previously something others had speculated they might be able to help you with design or engineering or with procurement given their muscle in the global supply chains. You know, how do you see this partnership evolving versus new partnerships forming? And are there multiple other sources of potential services, potential procurement support that are showing up equally as strong that can get you through to your initial production?

### **Tony Aquila**

Yeah, so, look, great question. I mean, I think it goes to our philosophy of partnership. You know, we just recently have been communicating as part of the re-founding how we want to do business. You know, we wanna be a good partner. We wanna be a profitable partner. But when there's a problem we wanna solve it together. And I think with the, you know, help we got from Oklahoma and Arkansas, it allowed us to accelerate. You know, as you remember in the beginning when I took over the company, you know, before had been purely focused on outsourcing the manufacturing. When I came in, you know, I dropped in the three phased approach. We've now been able to knock that down to two phases thanks to the support of Oklahoma, Arkansas, and the Cherokee nation.

So that's great for America. I think that, you know, what VDL has done is really commendable, right? I mean, not only did they, you know, they could have kept our money if they wanted to. I mean, but it's not about that. It's about a relationship between the van der Leegte family and myself. You know, we have a long history in the Netherlands in my other entities in my former life. So I think those relationships really helped.

We -- in addition to that, you know, we bought some product from them on very favorable terms. You know, they're helpful. And, you know, they even, you know, shielded us from the currency risk cause they want us to be successful obviously. And they did transfer a lot of knowledge to us. And we're grateful for that. So, you know, look, we'll continue to evolve that relationship. You know, we hope that things go for them for and, you know, recently speaking to them over the weekend, you know, as we are in one of our other businesses, we're desperately getting our employees out of the Ukraine, into Poland. So are they. But they are also -- many of these guys are suffering, you know, some impact because of some of the parts that are made and wiring harnesses, et cetera, in the Ukraine for European built vehicles.

So, you know, I think we just -- we've made some good moves there with that relationship. We'll help them. I mean it's a two way street. And I believe we have. It'll be up to them to discuss that at the time they see appropriate. And we'll continue to, you know, to be like that with every one of our partners, whether it be Panasonic or anyone else. And we also are very focused on helping, you know, American companies diversify so that we're less dependent on these volatile issues.

#### **Craig Irwin**

That's good to hear. So last question. It's kind of the big question, right? You're obviously not backing down from your production plans. You're gaining a lot of traction. The progress is really easy to follow, right? It's markable. But there is a capital need, and we all know you as a very intentional guy. I know you can't say specifically what you think you could do or what you think you want to do but can you maybe sketch out for us the spectrum of options that you're looking at? You know, there's quite a few different things that could be on the table. You know, what do you see as the opportunities for capital access to support the trajectory out of 22 and into 23 and beyond with Canoo making thousands and tens of thousands of units.

#### **Tony Aquila**

Yeah, so I, look, I think as you're seeing, everybody else is doing what we did in the beginning, right? I mean you remember the first call. And, you know, we just have some experience in the industry and around new product launches. So, look, my view is we're very focused as shareholders as well as a management team to make sure we're using non-dilutive capital for our shareholders.

If you study the innovators to the slide that the team put up earlier during the earnings call you'll see where we, you know, we could -- it takes patience, right, to do these things right. And you could -- if you look at these great disruptors, it's a -- there's a tough period. If you do the right thing, you keep your head down, you focus on IP, you find a way to do it differently and make sure that it's great for the consumer and or the industrial users of your product and your partners, you're gonna come out ahead. So you gotta kinda figure that out.

Now you gotta have more than one option, what I've learned over the years. First of all, every CEO out there should be focused on non-dilutive capital for shareholders. You know,

sometimes getting a bunch of capital is not the right thing to do. And timing of it is important. So I think we've done a really good job on demonstrating how much we're probably one of the largest ones to achieve this non-dilutive capital.

In addition to that we had to build up assets. Assets allow you to access traditional financing. You know, we learned a lot from how Elon figured out his way through this. You know, I think there, you know, he'd probably do it a little different but -- and he gave us a good roadmap. So did others that did it wrong by raising too much capital. Look, I think a person in a company and entrepreneurs do the best when they have enough but not too much. And the timing of that could be very dilutive over a decade if you get it wrong.

So, I feel good about the ability to access other types of capital. And while I haven't covered it, but where we're building our factory is in an opportunity zone. And many people on this call may not know what that means, but, you know, it allows us to access other types of capital. That is very low cost and very centered around ESG and the development of communities that have been dislocated.

So, look, I think, you know, as you said with your nice compliment we're pretty methodical. We're still proving ourselves. We know the road ahead. We have options is the message I wanna send clear.

**Craig Irwin**

I love it. Thanks. I'll take the rest of my questions offline.

**Operator**

Our next question is from Jaime Perez of RF Lafferty. Please proceed with your question.

**Jaime Perez**

Hey, good day everybody. And thanks for taking my question. So I want to change topics a little bit maybe on the sales model. I don't think we've touched upon this in a few. If we did, forgive me. How do you plan to sell? Do you plan to sell it through a dealership or direct consumer? Maybe give us a little bit color on that. And the second question, you know, what innovations are we look -- expect to see in the new vehicles as far as software? Cause I know, Tony, you came up from a software background.

**Tony Aquila**

Yeah, Jaime. It's good to talk to you again.

**Jaime Perez**

Thanks.

**Tony Aquila**

So, look, I think the customer journey, you know, our free cash flow per customer per year will go up or per household. You know, we do things differently here. We're, like I said, you know, we're not trying to push steel. If you listen to the poem that describes our life and our passion in that video is we're leaving breadcrumbs. But, you know, it's a competitive space. You know, we wanna make sure, you know, people don't steal too many of our ideas.

But you'll see a different kind of engagement model. It's very customer intensive, meaning that they're engaging and of course, you know, it's a microtransactional model on the software side. So, you know, it will span beyond our own vehicles. As you know we built a business worth billions of dollars from my garage on creating transaction value, by helping customers through the journey of vehicle ownership and service, maintenance, and repair.

We think that that's a very big business and we'll announce some things in the coming period of work we've already commenced with various clients. In addition to that, you know, I'd say the other innovations you'll continue to see is for us we believe you gotta fight inflation by doing it differently. And you gotta eliminate parts, you gotta eliminate history that is no longer relevant to the customers' experience or gives him productivity and safety.

So I think we've done a pretty good job on, you know, as we took the original platform, the team has done an amazing job. The design team is phenomenal here. You know, they're really dedicated. I mean they are just amazing. They're very involved in our real prototype builds. We do build different kinda models than traditionally they do. In addition to that, you know, consumers can, you know, basically keep their chassis and save 22,000 bucks, you know, in the future. They can upgrade the system and change the top half.

So doing some things very differently will generate revenue. And in addition to that the way we're accessorizing the vehicles, like, these are full packages. So as far as go to market goes I am not prepared to say it. But I would say it will be consistent to what you have seen us do over the last year. But it will be something that will be much more consistent, much more well controlled, and give customers a higher experience and satisfaction. I mean, it's pretty tough today to get through the process. We wanna make it super easy, hybrid(PH) between technology and physical interventions.

So, you know, I will bring that forward shortly. And I think, you know, we'll see what people think but we feel really good about it.

### **Jaime Perez**

Yeah, and I'm just excited to see the analytics and the info system of the vehicles. Cause, you know, we saw the vehicle last year but I'm just a little bit excited what to expect to -- from the vehicle itself.

### **Tony Aquila**

Yeah. And we'd love to have you come out, you know, I extend that to you, you know, now that Omicron is getting a little better, you know, hopefully you'll be able to come out and spend some time with us.

**Jaime Perez**

Yeah, awesome. All right. That's all the questions I had. So thanks. Thanks a lot, Tony.

**Tony Aquila**

You bet.

**Operator**

Our next question is from Amit Dayal of H.C. Wainwright. Please proceed with your question.

**Amit Dayal**

Thank you. Good afternoon everyone. I appreciate you taking my questions. So, Tony, just with respect to these stage three orders, does that involve any deposit or advances from the customer?

**Tony Aquila**

Those are committed purchase orders. So they'll either have deposits or they'll have so to speak binding agreements. In other words, you know, based on the credit we'll predicate whether we want a discount or not -- I mean, a deposit or not. So in certain cases we'll take them and certain cases we won't just because of the type of buyer. That make sense?

**Amit Dayal**

Okay. Yes, yes. Understood. Yes. And then --

**Tony Aquila**

-- They are committed through that (INAUDIBLE) --

**Amit Dayal**

-- Yeah. What's the expected mix, you know, for the 2022 target of three to 6,000 vehicles between lifestyle and delivery?

**Tony Aquila**

So we sourced it so that it can have a little bit of flexibility, but right now we're kinda 80 20 focused with some deviation capability between the LDV and the LV. And the main reason is these larger customers, you know, they have long term needs and getting them more used to the product and how it changes their workflow is important, so that's why we're kinda entering an allocation game with those customers.

So right now that's kinda the current mix capability. To the extent that, you know, we need to make sure we're getting enough of the LVs out, you know, we have the ability to also produce

that. You know, I think the biggest, you know, we brought our numbers down. So holding at 3,000, I think, you know, somebody just recently dropped, you know, by a third or so. You know, it's a tough environment. You know, the first year or two were tough. But, you know, right now I feel like, you know, we've already done, you know, aligned what we can do. We feel pretty good about it. We still got a little stretch in there, but we got a pretty wide range between three and six.

And, you know, we're just gonna keep our heads down and knock it out and not get too big. But the way things are firming up, we're gonna need to find ways to accelerate our ability to deliver vehicles, which is a good problem to have. I mean, we, you know, we're people who love to create problems worth solving and then solving them. It's no fun to, you know, solve a problem you don't have.

**Jaime Perez**

Understood. You touched on inflation, Tony, you know, trying to sort of control inflationary trends and things of that nature. Has there been any change in your pricing plans for the vehicles given the inflationary environment we are in right now?

**Tony Aquila**

So, you know, we just recently had a meeting with a bunch of our partners, suppliers, and vendors. And, you know, we've seen -- we've seen certain parts that were two, three dollars go up to a hundred dollars. But I think, you know, our view was way back when when we took over to bring the volumes way down is we, you know, committing to 50, 60, 75,000 units, a vendor or supplier is never gonna believe you anyways when you're a start, you know, you're new, having been on the other side.

So, you know, you kinda price it accordingly. And then you actually get ratcheted the wrong direction. So I think a lot of them are gonna be facing, you know, some hurtful ratchets on their cost structure. But nonetheless, just the environment with the geopolitical and the pandemic, we've seen a few items go from a couple dollars to a hundred dollars.

And -- but will we pass that cost along? No. The reason is is with those particular vendors, we are working with them on mitigation strategies and we never overextended ourselves on commitments. So we can pivot to another supplier if we have to, and or bring it in house. So I think, you know, it'll be a bumpy couple years in this category for all of us as things smooth out and things calm down. But we've eliminated so many parts. That's our best inflation fighter is innovation. And -- but we are taking hits here.

You know, labor costs are higher, you know, shipping costs, oh my gosh, you know, we'd be sitting here telling you about thousands and thousands of dollars per unit increases if we were still bringing the vehicle from Europe. Not to mention the lead time. And I was talking to somebody the other day. They got six containers that can't move. And won't move for weeks. So I think we're making the right steps. I mean, there's always, like I said we're -- live in a

constant state of dissatisfaction, and it's not a small task. But we're not trying to win it, you know, in a quarter. Right? We're really grinding it out, navigating these items.

But right now we are holding the line on the pricing we've aligned with. But we went into that with cushion. It's getting ate away. And I do believe we're priced, if you study us historically we've always been able to bring price up a bit because the consumer backs us. The customer backs us. And, you know, that's a partnership. And so, you know, if you look at where we were when others were at 70, right, you know, I mean, I think our RBIs kinda speak for our thoughtfulness. I know many people have said why don't you guys say more. Cause, you know, it's tough to always pull those words back. I'm sure some day we'll pull a few here and there back.

But, you know, you want to minimize that. You know, this has happened but mitigation is something we are constantly focused on here, which is allowing us to keep pushing through those milestones.

**Jaime Perez**

Thank you, Tony. That's all I have. Thank you.

**Tony Aquila**

No worries.

**Operator**

We have reached the end of the question and answer session. And this does conclude today's conference. You may disconnect your lines at this time. Thank you for your participation and have a great day.