

04-May-2022

Fisker, Inc. (FSR)

Q1 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you for joining and welcome to Fisker Q1 2022 Earnings Call. My name is Brika and I'll be today's event specialist. There will be a question-and-answer session. [Operator Instructions]

Your host for today's call will be Boroch. Sir, please go ahead when you're ready.

Frank Boroch

Vice President-Investor Relations & Treasury, Fisker, Inc.

Thank you, Brika. Hello, everyone, and welcome to Fisker's earnings call. As Brika mentioned, my name is Frank Boroch, Vice President of Investor Relations and Treasury here at Fisker. Previously, I was at Hyundai Capital America, where I was responsible for financing a \$40 billion-plus balance sheet comprised of automotive finance assets.

Joining me on today's call are Henrik Fisker, Chief Executive Officer; Dr. Burkhard Huhnke, Chief Technology Officer; and Dr. Geeta Gupta-Fisker, Chief Financial Officer and Chief Operating Officer.

Before turning it over to Henrik, be advised we will be making forward-looking statements within the meaning of the federal securities laws. Forward-looking statements generally relate to future events or future financial or operating performance. Our expectations and beliefs regarding these matters may not materialize. Actual results and financial periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks include those set forth in the press release we issued earlier today, as well as those more fully described in our filings with the Securities and Exchange Commission.

The forward-looking statements in this presentation are based on information available to us as of today. We disclaim any obligation to update any forward-looking statements except as required by law. We'll reference our financial measures that do not conform to Generally Accepted Accounting Principles or GAAP during today's call,

including non-GAAP operating expenses. This information may be calculated differently than the non-GAAP data presented by other companies. Quantitative reconciliation of our non-GAAP financial information to the directly comparable GAAP financial information appears in today's earnings release.

With that, I'm happy to turn the call over to Henrik.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Thank you, Frank, and thank you, everybody, for joining the call today. Let me just start by sharing how super excited I am after having driven a Fisker Ocean prototype in Europe at Magna's plant. It was just amazing. I've been part of a lot of product launches in my career, but I have to say, driving a vehicle that are a little more than six months away from start of production without any squeaks and rattles is just fantastic. And it's really hats off to our engineering team and Magna's engineering team and manufacturing team. It's just outstanding.

So I am – I'm just so excited about that. I, of course, reviewed a lot of details of the vehicle. I'm flying back over in middle of May actually to the Bridgestone's proving grounds to do more fine-tuning and testing, also together with our race car driver, Abbie Eaton, that we have hired to help us set up. The suspension in the vehicles are really handled like a sports car, but have the utility of an SUV. And we will make sure that it still drives comfortably. This was just so cool.

Now, then, we also went on to – on a little tour in Europe where we had shown the Fisker Ocean, and I'll get back to it in a second. I do want to mention that our reservation actually has accelerated even further. We have well over 45,000 reservations, which actually represents about a \$2.5 billion potential revenue. And with this continued growth, we should hit 65,000 to 75,000 reservations by the end of the year, which obviously mean we are way, way above what we would be able to produce next year.

So what we also are discussing right now with Magna, in fact, we have, I think, really decided with Magna that we want to increase the production at Magna in 2024. Originally, we had planned 50,000 units, but I think as we see with this incredible demand that are continuing and I expect to continue as people get in and actually try the Ocean, and we get the vehicle on the street. We are planning now to triple the production in 2024 to – as close as 150,000 units as we can. Of course, it also means getting our suppliers with us, which – that's the next step going out to all our suppliers. And just staying on that for a moment, we have a task force that are working with all our suppliers between Magna and Fisker, and I think Geeta will talk a little bit about that later. And so far, we have done extremely well working together on that, because we're still on target for production, start our production on November 17 this year, and we will start deliveries immediately thereafter. So, it will be delivered this year as well.

We have a very strong balance sheet. We got over \$1 billion in cash and the business continues to scale. We're now well over 450 people, that represent about a 40% growth year-to-date and we continue to grow throughout the rest of the year. We are really in a hyper-growth mode.

And I mentioned earlier our marketing efforts, just to kind of give an example, we were in Denmark where we had a prototype in one luxury mall for, I think, about 10 days. And at this point, just in Denmark, we have over 1,650 reservations. That represents about 6.5% of the Danish EV market. That's phenomenal for a vehicle which has only been shown there once and where a lot of the reservations were taken before it was shown. And as it was shown, we saw an incredible acceleration in the orders. So, I can really see that once we start getting this vehicle out and people get to see it and then later try it, I have no doubt that we are going to be able to easily fulfill or really deliver every vehicle we can produce.

Also lately – recently, we had – actually it was last Friday, we had Executive Strategy Day and we actually – the leadership team reinforced our clear future products and technology strategy road map. I'll let Burkhard talk a little bit about the technology, but I just want to mention a little bit about our strategy with our four vehicles, because I know once in a while people are saying, well, why don't you just make one vehicle and then when you're done with that and you produce and start selling it, then you talk about a second vehicle?

Well, if that will be how we did it, we wouldn't have our second vehicle out until 2026. And obviously, that's not the way we want to go. And that's also why we chose our unique strategy. And I actually would call it our hyper product development strategy. And what I mean by that is that in any other EV startup, you are dealing the two enormous tasks, one is building factory and learn how to manufacturing a car and the other is to developing a car and technology. In our case, we are only looking at developing car and technology, because we've got amazing – an amazing manufacturing partner. So, we don't have to worry about that. We know we're going to get high quality cars from the get-go.

So, what we have done is we have set up an organization within Fisker, which is geared towards making multiple vehicles in tandem – developing multiple vehicles in tandem. And I call that the hyper product development mode. What we have done is we have set up a UK entity, which is already up and running and run by our Senior Vice President of Engineering over there, which is running one of our new programs, the Ronin and I'll get back to that. And then, of course, we have our development teams here in Los Angeles, which are running our high volume vehicle programs, which is the Ocean and the PEAR. And I was never a believer in giant teams where 1,000 people try to get into developing one vehicle from the start.

In my view, small teams, agile, moving extremely fast, moving people around in a unique matrix organization, that's the way we have set it up. And Burkhard and I have spent a long time discussing how we maximize this effort and this advantage of being agile. And we have now I think really shown that our development – our unique development process of developing a vehicle in less than two-and-a-half year actually worked. And of course, we already started the PEAR last year and we started also the Ronin last year, and those two programs will see the benefit from all these lessons learned and we're already seeing these benefits.

And that's something which I really think sets Fisker apart, because I believe before 2025, that's really our chance to take a huge market share. And if we can bring four vehicles to market in segments where there's not a lot of vehicles already and where we have, at least, four unique features, either we have the longest range in our segment, like for example, the Fisker Ocean with 350-mile range. This is the longest of any SUV or crossover in our price segment, or for example, California Mode [ph] does in (00:10:16) the Ocean. So, four features that are either unique or segment-leading that needs to be part of every vehicle we do.

So, let me just finalize here the Ocean update. We have completed prototype – the first prototype build phase and we have already done a ton of testing. We have done winter testing in Sweden, which Burkhard personally traveled to. And we are doing now a whole bunch of different tests as well, whether it's the chassis systems, or the ESC, the suspension, the brake, tuning, all this has already been done and is now followed by a round of next vehicle dynamic testing in Italy, which Burkhard and myself will fly over to as well.

Now, let me talk a little bit about the demand. Again, our original goal was to have 50,000 orders or reservation by the start of production, so on November 17. We already have 45,000. And it's clear that when we get to start production, it will be closer to, like I said, 65,000 to 75,000. So, I think it's very important to mention that, with the high gas prices and everything we see, I believe that the demand for an affordable SUV is going to grow tremendously. And we don't have a lot of competitors in this segment. And specifically, as now as we also see

Europe is picking up with reservations, we think we're going to have a really strong stance in Europe as well with our vehicles over there.

And it brings me a little bit to our marketing. Like I said, we have done relatively little marketing. We tried now out the pop-up shop in Denmark, and as we were so successful, we are planning now to bring our vehicle to Norway, which is one of the biggest EV markets in Europe right now and we have already done very well in Norway. We also plan a few other events through the rest of this year. But we really want to kick off our larger marketing event a little later in the year once we have fully finished drivable vehicles coming off the production line in Austria from Magna. We don't really want to blow everything out right now as we have all these orders already. So, please be patient with that. I don't think it makes sense to spend a ton of marketing money right now as we're doing so well.

A little bit to the PEAR update. This program is in full speed. We are now increasing the efforts on PEAR as some of the engineers are starting to gear down and out of the Ocean program or have simply just less to do in the Ocean program. So, we cannot divert a lot of these extremely talented people over to the PEAR program. And that's again the advantage by having these fast developing processes, we can actually use people right when they get off the Ocean program. They don't have to sit and wait to start another program, we have already started the second and the third program. So, we are taking full advantage of our team at Fisker.

Something new about the PEAR, I just want to mention, at least, some news. We have decided in our strategy session now to go forth with having three derivatives initially on the PEAR platform. It's really a result of that we see a such an efficient platform, it will be fairly low cost – I should say, really low cost to manufacture. We are able to take a lot of parts complexity out of the platform, concentrate on spending money on high technology, and really interesting consumer features that's never been seen before.

There will be two other variations of the PEAR coming out, of course, after we launch the PEAR in 2024. And they will come later in 2025 and 2026. But ultimately, the three derivatives, we believe, it'll enable us to sell 1 million PEARS a year sometime in 2027. So, fairly soon, and we think this is going to be a really important story – the growth story of Fisker in the future globally.

Third vehicle update, you might have seen that I announced project Ronin this morning and this vehicle has a unique space within Fisker in the sense of it's really the technology testing platform to a certain extent. And what I mean by that is that as we develop PEAR, we need to be able to develop some extreme technology make decisions, whether we bring it into PEAR or not. It could either be because it's not ready or because it's too expensive.

But we already see some interesting synergies between – even though PEAR is a very low cost vehicle and the Ronin's very expensive, once it comes to technology, it's really more about the value of that technology [ph] and what enables (00:15:20) you to do and if it's ahead of everything else. So, for example, we are developing, I think, a world-leading wiring harness that is super simple, super light, and very low cost, but is really effective. And Burkhard can elaborate on some of these technologies, but the Ronin is really there to allow us to explore some of those ideas early.

It will be a vehicle that is super unique. It has really never been seen a segment before. And I know we showed a picture and it wasn't really clear to see what it actually is. And some people said it was just a four-door sedan, and it's not. And maybe that becomes a little clearer in the next couple of days. I'll elaborate a little bit on that, what's so unique about it.

Also, I've set the engineers a very tough task of reaching 600 miles. We already know now that it, for sure, will have over 550 mile range, but the target would be closer to 600 miles. And if you can achieve that, that would be equivalent in Europe testing, [ph] driving trial of (00:16:20) 1,000 kilometers. So the idea, of course, with this vehicle is that it truly will replace the luxury gasoline grand tourers out there. And I think ultimately, the way we have positioned the Ronin, it will be able to both compete against all the luxury electric sedans, all the luxury gasoline sedans and all the luxury sort of sports coupes and all the luxury convertibles in the market segment from \$100,000 and up.

And when you look at that entire segment, it could be an interesting segment if you can take an unnatural large part of it. And I think we'll be able to do that with the Ronin when we show a little bit more about what it offers. Again, that vehicle is developed or run out of England, our Magic Works. So it really is not about focusing or we don't have the Ocean team suddenly focused on this vehicle particularly, is done in a different development group. So, of course, it's matrix into here, for electrical architecture, powertrain, et cetera, but it really is a product that's run separately.

And let me end by talking a little about our advanced sustainability vision. We just published our inaugural environmental policy and also expect to introduce our first ESG impact report in the next few months in alignment with our belief in transparency, and that is well ahead of startup production. So, I think in this regard, as we've always said, we aim to be the leader in sustainability, create the world's most sustainable vehicles, and I think that we have shown that we live up to this commitment.

So, overall, I'm really optimistic about Fisker's future despite uncertainty that's going on in the world and I think it's really to do with our incredible strong partners, Magna for our Ocean program, and Foxconn for our PEAR program. Being with such large global companies is, obviously, something that clearly has helped us weather the storms of supply chain issues, chip issues, et cetera, and so far, I can only relay again, we are on target to start production 17th of November this year.

And with that, I'd like to hand it over to our CTO, Burkhard.

Burkhard J. Huhnke

Chief Technology Officer, Fisker, Inc.

Thank you, Henrik. Beginning with Fisker Ocean, engineering, testing and validation is progressing well and is on schedule to achieve as SOP in November. We have transitioned from simulated to physical validation and testing and it has been very encouraging to see the results from our physical tests match those in our simulated tests.

Prototype testing is accelerating globally. The winter testing in Sweden, as Henrik explained, was completed in March, with chassis systems such as electronic stability control, suspension and brake tuning was done. We also tested the powertrain system in extreme cold and low friction environments. The first round of vehicle dynamic testing with early prototype vehicles was performed in February in Italy and with our partner Bridgestone, where the chassis, brake and ride characteristics of the vehicles and tires were tuned.

The chassis team is currently performing another tuning activity to further refine the dynamics and ride characteristics of the vehicle using both early and our advanced prototype vehicles. Durability testing in high speed, high load conditions of the suspension components with prototype vehicles was completed already in April. So, we are continuing to leverage Fisker and Magna's collective expertise and reach to ensure critical components are sourced, delivered, assembled, and tested on schedule.

With our 450 strong net Fisker and hundreds of Magna engineering resources, we can quickly address challenges and rearchitect as needed. From our vantage point, semiconductor chip availability is improving and we are partnering with our supply chain to protect our November 17 production plans. We're currently building the next phase of prototype vehicles with production intent, design, and components. These vehicles are being used for testing all vehicle attributes such as safety, ADAS, NVH, which is noise, vibration, harshness, climate control, powertrain system performance, chassis, electrical integration, complete vehicle durability. Some key testing activities with these prototypes vehicles has already begun for safety, durability, and vehicle dynamics.

We will continue to ramp up testing activities with the prototype vehicle fleet in the month of May. Finished the first high speed side crash, IIHS, side moving the formal barrier and obtained great results as expected by virtual analysis as top safety rating range. As Henrik mentioned, I participated in the management drive along with Henrik and Geeta a couple of weeks ago in Graz with the prototype vehicle and got to experience firsthand the fully functional software at high speed. We're focused on delivering all the attributes for both the safe and fun driving experience. Examples include torque vectoring for impressive high speed handling, premium braking system and chassis tuning for exceptional performance and a fully integrated L2+ ADAS package.

We're executing on the ICE software [indiscernible] (00:22:24) electronics control units and are progressing well with our over-the-air or OTA implementation. The OTA pipeline is installed, the back end is in place, and we are already collecting data from prototypes rolling off the line. Overall, the goal of our digital strategy is to improve the users' ownership experience and develop unique touchpoints with each customer to create a very positive feedback loop. In addition, we will leverage this connectivity for future revenue opportunities to continue investing in the customer experience.

Now to briefly touch on PEAR specifically. PEAR engineering is ramping and as Ocean gets closer to SOP, we'll continue to transition resources from the Ocean program to the PEAR program. Through our strong supply chain partnerships and by leveraging innovative software solutions, we are creating a truly revolutionary electrical architecture for Fisker PEAR, with the many ECUs in traditional vehicle consolidated down to a few central computer units.

Without going too much into detail, the PEAR will have our next-generation connectivity, ADAS functionality, and OTA platform capabilities. Continually updated with the software and technology improvements, the car will become smarter and safer over its lifetime. It will change how we think about smart mobility.

In addition to the advancements with PEAR, Henrik mentioned project Ronin a few moments ago, we will use this project as a technology exploration platform. But we will have to wait until next year for more details.

Thank you. I will now turn the call over to Geeta.

Geeta Gupta-Fisker

Co-Founder, Chief Financial Officer & Director, Fisker, Inc.

Thank you, Burkhard, and welcome, everyone. It's very exciting to welcome Frank as the Q1 2022 marks our sixth quarter as a public company. I have a lot to get through, so I will speak fast. With almost six months to SOP, we remain intensely focused on the supply chain monitoring weekly with suppliers, drilling down multiple tiers to mitigate any disruptions, address input cost inflation, and protect logistics' resilience to ensure timeliness and quantity to stay on track.

Magna Steyr has affirmed their production timing and they are now in full execution mode to deploy all the necessary factory tooling we require for start-up production and subsequent ramp-up. They have confirmed that

beyond the current committed volumes, we can further ramp up production in second half of 2024 into 2025, provided we can scale up suppliers at the same rate.

Now, let me give you some additional ocean program updates. We passed our functional [ph] confirmation (00:25:23) gateway on March 16, 2022. The program completed 95% of production releases and suppliers have been kicked off a long lead tooling. Prototype build phase is underway with critical testing started, as Burkhard explained, design progression and releases for launch are all in track. Our body shop tooling installation at Magna Steyr and suppliers is on track to support the Body-in-White, or Body-in-White pre-built. Our Body-in-White build trials at the production facility started in progression for pre-production builds for [ph] GA Online (00:25:58).

In addition, we have a number of supply chain updates to share. All key Ocean suppliers have been nominated, onboarded, and embedded into our processes. The bill of materials for all Ocean variants has been cost optimized with a highly competitive bid process and detailed cost benchmarking. We are implementing global supply chain management using consolidation centers in China and EU for optimized routing and logistics. We have also nominated a third-party logistics provider for incoming parts to Magna Steyr and are now into detail logistic planning for all incoming parts, especially components like batteries, including planning for 2023 inventory cycle.

A dedicated quality team has been deployed for managing critical suppliers for launch readiness and also to ensure on-time production part approval process, also known as PPAP, and capacity confirmation. We have created an executive task force with Magna Steyr and this task force is systematically conducting reviews with critical suppliers, including in-person visits to confirm bumper-to-bumper readiness for tooling, part status, capacity and PPAP achievement. We are also using this opportunity to share and excite our suppliers with a current reservation numbers, which we announced was over 45,000 today and discuss opportunities for subsequent scale-up beyond our current book capacity.

Our relationship with CATL remains very strong and in addition to CATL, we have already commenced discussions with other suppliers for multi-sourcing batteries for the larger PEAR program. Our launch team reviews daily any potential supplier part shortages for pre-builds and proactively managers support plans, logistics, expedite routing, and assist Tier 1 and 2s with the recovery plans and provides them assistance to maintain their part delivery commitments.

SAP integration from Fisker to Magna to manage end-to-end seamless integration of parts and communication with our suppliers is underway. We have planned for highly optimized packaging returnable dunnage systems for part delivery to [ph] garage (00:28:18).

Finally, last quarter, we proactively rolled out a chip delivery requirements to Tier 1s and 2s one year in advance to provide advanced planning volumes for their subsequent suppliers. A dedicated team at Fisker manages chip supply chain and is responsible for all action plans.

Staying on the supply chain topic, material and commodity pricing is a concern for everyone. Coincidentally, our vehicle bodies are primarily made of steel, which has not increased as significantly as aluminum. In addition, our two battery chemistry approach that we decided two years ago enables us to better align the higher-priced NMC battery with a premium levels where margins are less sensitive.

Conversely, in our base model sport, we will utilize LFP or lithium-ion phosphate batteries, which do not contain nickel or cobalt. All of our contracts address commodity prices, inflation, productivity and forex, and some of these critical pricing elements are calculated on a quarterly or, in some cases, on annual basis as we go into ramp-up

and volume production. As a result, we will have better visibility of the actual impact of these world events to our BOM as we ramp up in 2023.

I now want to address the impact of forex on our commitments. As we're a US dollar-based company, but many of our supplier contracts are in euros, at this stage, we have benefited from forex as US dollar has strengthened against the euro. Year-to-date, euro has weakened 8% versus the US dollar compared to the same time last year. And what's more relevant is the current spot rate, which is at the lowest level since 2017. This FX favorability can potentially mitigate some of the inflationary pressures.

Now, let me turn to some operational topics. During the first quarter, we enhanced our IT infrastructure to streamline processes and advanced real-time decision-making. We've implemented robust IT systems to create a seamless IT architecture that can be scaled globally for all vehicle programs and for all customers globally. We enhanced our integration architecture to accommodate multiple customer channels, partner ecosystems and Fisker Enterprise applications to provide for a seamless customer experience.

We continue to invest in building out a highly scalable and geo-distributed Fisker cloud. Our business service applications seamlessly integrate with this cloud to provide a fresh and engaging experience in the vehicle on the web and on the phone. We are heavily investing in a state-of-art analytics pipeline to enhance the vehicle ownership and experience and to provide real-time business decision support.

As Burkhard mentioned, our OTA strategy ensures tamper-proof high velocity data delivery for software updates and vehicle configuration. We are aiming to build best-in-class fully integrated digital platform with full support for experience handoff as the user moves between mobile, desktop, and vehicle. In addition to delivering a unique customer experience, our digital strategy will enable monetization of innovative mobility, features, and services. We believe the revenue and margin potential of our connected strategy will be first of its kind.

Driving these initiatives is our 450-plus global team, which we expect to surpass 800 as we end [ph] the serial (00:31:37) production later this year. We established our India headquarters in Hyderabad to support software and virtual vehicle development, supporting our seamless IT architecture across vehicle platforms globally. In March, we announced crossing 40,000 reservations and elaborated on our Ocean pricing strategy. At this stage, we do not intend to raise prices for the Fisker Ocean before the earlier of calendar 2024, or the sale of the first 40,000 Ocean units.

Based on customer feedback, we expect much of 2023's production to be focused on premium trims, including the Fisker Ocean One launch edition, and the Ocean Extreme, both of which are slated for \$68,999 MSRP in the US. However, we will take a prudent approach in following material and commodity pricing and benchmarking our peers at the time of ramp-up.

As we get closer to start of production, we are intensely focused on delivering an exceptional customer experience, both inside and outside the vehicle. Our digital teams are knee-deep in configurator development, web and mobile development, as well as. On the physical experience, we previously announced that our first two experience centers will be in Los Angeles and Munich and those centers will be ready to welcome customers later this year. Demolition of the LA location is planned to begin this month. This is an attractive time to be in the market for new retail facilities, and we look forward to announcing additional locations in the coming months.

Our experience centers will complement additional consumer experience and enhance the overall customer journey. We just came back from a European tour of exceptional facilities and have several LOIs in preparation for launch in various European countries. We continue to expand our global footprint with 15 subsidiaries formed

or in progress preparing for a seamless customer experience in each region. Building on our existing presence in Germany, Austria, and the UK, we have now formed subsidiaries in India, China, France, Denmark, and Canada and in recent months with an additional half dozen countries currently underway.

Now I want to turn your attention to PEAR, very excited about this program. We are taking all our learnings and IP from the Ocean and focusing on a highly affordable and ultra-high volume, super innovative vehicle. The concept phase is complete, and we are actively looking to identify content that can be shared between Ocean and PEAR. Whilst there will be plenty of new innovative content in the PEAR, carryover parts will benefit the bill of materials for both Ocean and PEAR.

We anticipate the sharing of components and IP will further help us optimize R&D and CapEx investments, which would typically be in billions for a traditional OEM. We also anticipate volume-based reductions for PEAR due to its high volume expectations and especially for parts that can be shared amongst all our vehicles. As Burkhard mentioned, PEAR will have a state-of-the-art e-architecture and we are now actively engaging suppliers on both carryover and also for new long lead tooling items.

With respect to our manufacturing facility and partner, Foxconn received the [indiscernible] (00:34:46) approval for acquiring Lordstown last month, and whilst they have extended their closing date by a few weeks, they have assured us that the deal closure is on track.

Turning now to our first quarter results, balance sheet, and 2022 outlook. Our Q1 operating expenses of \$123.5 million, or \$118.4 million ex-stock compensation expense, aligned closely with internal expectations and the guidance we provided on the Q4 and full year 2021 call. Capital expenditures of \$45.8 million were slightly below Q4 levels, due primarily to the timing of CapEx billing by our suppliers. Operationally, the slight decrease in R&D in Q1 versus Q4 was primarily the result of the completion of many key engineering design and development milestones as we are now moving closer to execution. Increase in SG&A expense in Q1 versus Q4 was a result of significant growth in head count and marketing expenses related to Consumer Electronics Show in Las Vegas and Mobile World Congress in Barcelona.

European market is very important for Fisker. On prior calls, we discussed our partnership with Allego, a leading European public EV charging network with over 13,000 locations across 15 European countries. Allego is also in the process of expanding their network of innovative fast charging stations. This collaboration will benefit our customers and create a competitive advantage for Fisker. We invested \$10 million in Allego's PIPE and are working to develop seamless integration of Allego's network onto the Fisker App and we will offer 12 months of free charging on the Allego network to Ocean customers that registered their vehicles before March 31, 2024.

During the first quarter, we recognized a \$5.1 million mark-to-market gain on our Allego shares in other income. This will, of course, fluctuate each quarter based on Allego share price. Regarding the balance sheet, as you can see from our \$1 billion cash balance, we have stayed disciplined with our spending and have the resources to fully fund Ocean program launch in November this year and to stay on track with our other projects in 2022.

Looking at the Ocean ramp post November, we have developed a robust working capital model and we're in discussion with global banks, exploring non-dilutive asset-based borrowing facilities to fund our working capital. To support our growth in 2022 and beyond, we have bolstered the finance team with 10 additions so far this year, including Frank Borch, our new VP of Treasury and Investor Relations, a seasoned finance and capital market leader, who will assist me in prudently managing our capital stack and maintaining a sound liquidity profile.

We have demonstrated access to capital markets most recently with our August 2021 convertible, and we maintain an effective equity shelf, which enables us to be nimble and positioned to bolster our balance sheet and support our future growth opportunities if we see the right time and opportunity in the marketplace.

Turning to our outlook, as noted in the press release, our overall non-GAAP OpEx plus CapEx guidance for 2022 is \$715 million to \$790 million, which is consistent with our expectations provided last quarter. This compares to a total of \$458 million in 2021. The bulk of the spend is continued execution of Ocean through launch, plus cost of running the business, with PEAR R&D spending ramping up in second half of the year. Product-related CapEx is exclusively for Ocean and for some experience centers, as we don't expect any significant CapEx on PEAR this year.

Finally, as we approach launch, I want to reinforce something that is unique to our capitalized strategy. All manufacturing, planning and launch costs are included in this guidance, including the cost of manufacturing the initial Ocean volume in 2022. Any sharing of launch costs with our partner, including unabsorbed [ph] over at the (00:38:46) manufacturing facility are pre-negotiated and included in our guidance, which helps us avoid the uncertainty and cash spending volatility around the launch period that plagues many start-ups. We wanted to make that clear for your modeling purposes. I'm extremely proud of the entire Fisker team for all the accomplishments year-to-date and the steadfast pursuit of launching a fantastic vehicle on time.

We're now happy to take your questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin...

Frank Boroach

Vice President-Investor Relations & Treasury, Fisker, Inc.

Operator, yeah, go ahead.

A

Operator: We will now begin the question-and-answer session. [Operator Instructions] We have the first questions from Adam Jonas of Morgan Stanley. Sir, please go ahead when you're ready.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

Thanks. Question first for Geeta. You do sound very, comfortable might be the wrong word, but not particularly worried about the supply chain and raw material environment. Now, granted you're not in production right now, won't be in any significant volume this year. But if I had to say what area – what areas of either raw materials, supply chain or specifically battery materials with CATL is maybe on higher alert and getting more of your attention?

Q

Geeta Gupta-Fisker

Co-Founder, Chief Financial Officer & Director, Fisker, Inc.

Hey, Adam. Great question.

A

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

Hi.

Q

Geeta Gupta-Fisker

Co-Founder, Chief Financial Officer & Director, Fisker, Inc.

I don't want to give the impression that I'm not worried about supply chain. It's just I went to a great detail to explain today, because I'm going to give a little view oversight of what we are doing on a daily basis. We're seeing the same problems that everybody else is seeing, but we're just figuring base on how to solve for the supply chain. So that's the first thing. The second thing is we don't know what we don't know. We do have exposure to Europe clearly, because we are manufacturing in Europe. So it's hard to predict if some of the events we see in Europe with respect to a recession or with respect to the war could bring. So far, we are checking in with our suppliers on a regular consistent basis. And we are making sure that they are securing parts that they need to for our production and ramp up. And areas where we feel that there might be some risks, we are trying to put containment plans in place. But again, I don't want to give the impression we don't have any problems. We do like everyone else, but we are just collectively working with Magna to find solutions, whether it's to secure chips, whether it's to stockpile them, whether it's to get into legal agreements.

A

One thing, for example, I can give you, we had some issues with semiconductor chips, believe it or not, on the beautiful 17.1 inch screen that we have in the vehicle. And I know that we had a detailed discussion with Foxconn yesterday where they had factory closures in China, but they have resolved that. And they are clearly working with us as a partner. And we are on our way to deliver screens for our testing phase and finally ramp up to production. So again, we do have problems, but we are just finding better ways to solve them.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

Appreciate that. And just one follow-up for me, Geeta, is on funding. I think investors on this call expect that you're going to meet – hit your startup production, okay, in November. And you've mentioned in your – in the press release that you have a funding up to start a production, but you didn't mention ramp. And I think that's a reasonable expectation that you will, especially even following your guidance of OpEx and CapEx, that you'll end up, I don't know, a \$400 million range or thereabouts by the end of the year.

Q

And so I think by most people's definition, you'll want more capital by the end of the year or shortly after startup production. We can debate this year next. So most are modeling in, in capital raises in their forecast from what I've seen. I think this year we've seen making EVs in Europe specifically probably getting increasingly strategic importance, particularly with governments that see the crisis – the energy crisis in Europe. But at the same time, the capital markets environment is a lot more difficult this year than it was last year.

So kind of help – I know there's not much you can say, but just wanted to kind of try to give you another opportunity to address the funding, which is – which some on this call might see as kind of a binary event like you're going to ramp, there's going to be issues when you ramp, you're going to need capital, how are – what areas? What else can you say with some details on what you're exploring between grants, loans, equity debt, just any anything else there would just help a little bit – help with the discussion even though you're not going to announce anything today? I appreciate that. Thank you.

Geeta Gupta-Fisker

Co-Founder, Chief Financial Officer & Director, Fisker, Inc.

A

Yeah. Yeah. Yeah. Absolutely. So, first of all, again, Adam, I want to correct that we have funding not just for the launch of the Ocean. We do have funding beyond it. Obviously, it doesn't cover the working capital. And there is a point next [ph] year (00:44:20) when we do have a period that we need working capital. And as mentioned, we are talking to several banks to see what we can do with respect to working capital. We do have terms with all our suppliers, and they range anything from 30 days to 120 days. So all our suppliers are supporting our working capital along with us.

In addition to the existing cash balance, in addition to working capital, and in addition to supplier terms, we are, of course, talking to multiple groups, OEMs who may want emission credits as I've mentioned before. We also have an interest on the Ocean platform from another OEM. We are in deep discussions with those as well. And if you recall, Adam, we have filed a shelf. So we are ready if the market conditions are right. And if we feel we need to bolster the balance sheet, we will take an opportunity, whether it's equity or debt, that's a discussion to be had with the bankers. But again, we will make sure we take every opportunity to consolidate the balance sheet.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

Q

Thanks, Geeta.

Operator: Thank you. We now have the next question from [ph] John Murphy (00:45:49) of Bank of America. Please go ahead when you're ready, [ph] John. (00:45:52)

Q

Good evening, everyone. So I wanted to start first with Project Ronin. Are you able to confirm whether that's the second vehicle off of the Magna platform? I know there was an intention to launch a second vehicle off the FM29 platform, but GT sports car and a crossover are fairly different architectures. So are you able to comment on which contract manufacturing partner that vehicle is coming from, whether it's Magna, Foxconn or a partner you have yet to announce?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Yeah. Hi, is Henrik. Thanks for the question. So we are planning a second vehicle off the Ocean platform, but it's not the Ronin. The Ronin will be at, what I would call, a low-invest, low-volume vehicle. But what we are doing is we're incorporating some new technology. For example, we are looking to integrate a battery pack in a new way, which will give it enhanced energy density and also lower weight. And that's why we have the aim of 600-mile range, which would be, at least, as up to date, the longest range for a production car. We'll see what else is out at that time.

But no, it's not using the Ocean platform. However, we are using certain Ocean components in the Ronin, which makes it a much lower invest vehicle. And that new platform, by the way, will probably spin off some other vehicles in the future as well. But it's really vehicle that will showcase high technology, it's lower volume, lower invest, but on a different platform.

Q

Okay. Great. That's helpful. And then I wanted to follow up on commentary in the press release that you plan to honor pricing as it stands for vehicles up to that 40,000 reservation number at the end of the quarter. Does that say more about your commitment to your customers in an effort to establish goodwill? Or is it more that you have a handle on the cost side going to be those comments that you guys are getting creative with some of the solutions there, where the recent pricing or the cost inflation you see as less of a necessity to pass on with customer in the near term?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Yeah. I think there's several answers to this question. One, it's clear that a lot of customers that I think are reserving vehicles particular from start-ups, looking for, I think, transparency, honesty. We are building a brand. I think the number one thing we have to do is take care of our customers. The good news for us is that a majority of our customers so far have indicated they want to buy one of the two more expensive vehicles.

And as you know, we are launching first the special edition Ocean One, which is about \$69,000. We are starting to take a firm commitment to that vehicle from July 1, and that will be limited to 5,000. After that, we continue with Extreme. And because we are use – because we are selling these very higher end or the highest end vehicle first, we have a much higher profit margin, and then combined with what Geeta said, in terms of managing the cost extremely well from our purchasing and engineering and finance side, we have a lot of leeway wherever you felt we can really make sure that we can commit to our first 40,000 customers of not having to change the price.

Now, then – as we then launch, the eventually the base model as Geeta mentioned, we do have the LFP battery, which is not so affected by price increases, but we have said, and we will make some of those as well without a price increase, but 40,000 vehicles 40,000 to 50,000 vehicles what we can make next year, we are trying still to see if we can ramp a little bit in the end of next year, so we might get higher. But we have said over 40,000 vehicles, there will likely be an increase, because that will be about a year later and I think every OEM in the world, at least, increases the price once a year. In fact, there are some OEMs that are increasing that price every week or every month. So I think that, for us, it was about staying true to our customers, and of course, still managing the finances. And we are able to do that because of this high profitable first vehicle we're sending out.

Q

Okay. Understood. And one last one if I may, I wanted to follow up on your comment of pushing Magna to triple capacity for the Ocean SUV. Is that something that Steyr is all on board with and currently planning for right now? Or is there some, let's call it, hesitation or planning from their side to say, let's get started production out of the way, the vehicle on the road first and see the customer traction before we make the decision to install additional capacity, I'm just trying to get a sense for how receptive they are to the conversation of capacity expansion prior to start up production?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Well, Magna is fully on board in it, but we don't have to make any investments or decisions at this point. We just – I just got off a call with Magna last week and – sorry, Monday this week. And we don't need to make a decision until about 12 months before, which is about the same with CATL, our battery supplier. We also need to let them know 12 months before. So I would say December or January is the time when we have to make that commitment. I think it's prudent to wait. So if it truly turns out that we have 75,000, 80,000 orders or maybe even more by the end of the year, then we'll pull the trigger. And if we see that trend is continuing and do it, but there's

no point of doing it now if we don't need to. So we don't need to make that decision until December or January, so December this year or January next year. So we got plenty of time, but it's confirmed that we would be able to do it.

Q

Okay, fantastic. Thanks for taking the questions.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Thank you.

A

Frank Boroch

Vice President-Investor Relations & Treasury, Fisker, Inc.

I'm going to jump in here with a couple of the retail questions we received over the [ph] say (00:52:08) platform. The first question is last earnings call, you mentioned about a potential fleet order. Is there any update you can share?

A

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Yeah. So the last earnings calls were before Ukraine war, I just want to mention. So there was, obviously, a lot of things has changed since. And one of the things that changed was we saw an incredible increased activity in Googling the Fisker Ocean and I think has a lot to do with the racing gasoline prices we saw, and huge increase in our reservations. So, I actually went ahead and cancelled an MoU we had with a large rental carmaker for a potential sale of quite a lot of vehicles.

A

And I did it because I realized that with this increase in reservations, we are not interested just to do a sale to a rental car entity, because in the end of day, we can make a lot more money, specifically with our flexible lease, even with our normal sales of vehicles, because we also have a mobility model where we are selling over their updates. So what we are doing is we're still pursuing talks for the – for our potential sale, but it has to include a much more innovative business model where we can generate revenue during the active use of these rental vehicles, meaning we need to make sure we can make some revenue on these vehicles, why then possession of the rental car company. And we are willing to share some of that revenue.

So to build that business model takes a little longer time and we wanted a little more freedom to do that. We were not in a hurry just to announce any random deal. I think historically, selling to rental car companies have not been great profitable deals for any carmaker. So if we do it, I had a very clear mandate from our CFO. It has to be more profitable than just even if we sell our own vehicles. So we need a new business model for this and I think we can see some interest in that, because we would also offer some revenue to rental carmakers. So it's something we will continue to work on, but not something we will do for any cost.

Geeta Gupta-Fisker

Co-Founder, Chief Financial Officer & Director, Fisker, Inc.

I just want to add to that what we've seen and I experienced, the rental car companies are still in the overhang of previous deals where they are expecting 12 to 24-month deals, buybacks, and I think EVs require less service. They are more sturdy. So for some of the rental car companies, they have to come to terms with the fact that EVs

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behave fundamentally differently, cars of the future are connected. So from our perspective, we still have a limited production at Magna, and we would like to clearly do some of the smaller fleet deals that we've already done, but a deal that's in thousands or a big order, \$30,000, \$40,000, \$50,000, would require a very unique business model.

Frank Boroch

Vice President-Investor Relations & Treasury, Fisker, Inc.

A

And the next question from the retail shareholders. What can you say regarding all the speculation of the Fisker and Apple partnership?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Well, I think people are reading too much into this one. As I mentioned before, the inspiration for naming our second vehicle PEAR was a bit of a joke, kind of playing on our partnership with Foxconn. We do call it a Personal Electric Automotive Revolution, and they kind of fit it really well with that name. But I would say the PEAR will be such a unique and disruptive vehicle that we believe and I believe it can be the automotive industry – to the automotive industry, what the Apple iPhone was to the cell phone industry, really revolutionary. And I think I don't know if you can say you can't compare [ph] Apples to PEARs, (00:55:59) but I definitely think that PEAR is going to be such a unique, amazing vehicles. But there is absolutely no deal or talks with Apple, the company, at this point in time.

Frank Boroch

Vice President-Investor Relations & Treasury, Fisker, Inc.

A

Thank you, operator. Can you continue with the queue?

Operator: Thank you. We now have from James Picariello from BNP Paribas Exane. Your line is now open, James.

James Albert Picariello

Analyst, Exane, Inc.

Q

Hi, guys. Thanks. So, within the 45,000 reservations, as of May 2, the associated potential revenue is side to be \$2.5 billion. So, obviously, implies an ASP of \$56,000. But it sounds as though in the prepared remarks, right, all of 2023 production could be at that extreme trim price point in the high 60% range. So just wondering, can you intact this, what are the build intentions for next year, I believe the number is about \$50,000, and what that price point could be?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Well, let me just explain. I think that we are using a very conservative way of calculating this \$2.5 billion potential revenue. And you're right, they're using \$56,000. And we are using that because we have looked at certain polls we have taken with our reservation holders, but truly we don't know until we do all our final – get our final commitments from our customers. But what we do see is that we probably could make almost all the vehicles extreme, but we have committed to deliver certain amount of base vehicles. It'll be low – will be a certain lower volume, because we first are going to fulfill most of the Extreme orders and then some Ultras and they will be delivered in the next year. So I think we have given a conservative guidance and it could be very well that we go over that.

James Albert Picariello

Analyst, Exane, Inc.

Q

Okay. Got it. And then, do you have any color on Foxconn's finalization of the Lordstown plant. I mean, there have been some recent announcements, to my understanding, the ink might not be dry just yet on that asset transfer. So, wondering if you could share anything on that point and then you confirm the 2,500 payer reservations. You mentioned the 1-million-unit potential in just five years, right, 2027. Can you remind us what the max capacity potential? Is that Lordstown? Does Foxconn have any other OEMs they'll be working with at that plant to your knowledge?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Well, first, I can't speak on behalf of Foxconn. They're a public company. But all I can say is there's been no change in our conversations or planning with Foxconn on producing the PEAR in Ohio. The plant, I believe, can go up to 400,000 or maybe even 500,000 vehicles a year. To my knowledge, I don't know any other than I think there's a truck that they're thinking to do there. But what I understand is we have clear priority. We'll take definitely a vast majority of the volume in that plant. Obviously, the 1 million vehicles are not all going to be produced in the US.

As I've said earlier, we're contemplating production of the PEAR in China, in Europe, and potentially a de-contented, even lower-cost version in India eventually. So I think that we have enough time to sort out the volume on to 2027. Also, remember, we are not actively promoting the PEAR in any shape or form, quite frankly.

We are – we simply open the reservation on request of, I think, some enthusiasts that want to make sure they got first in line. And we did it also because, as I mentioned, we are talking to a few fleets about purchase. So we are convinced about our sales targets. But at this point, yeah, there's been no change to the conversation with Foxconn.

Geeta Gupta-Fisker

Co-Founder, Chief Financial Officer & Director, Fisker, Inc.

A

Yeah. Just from a public update, I think about five or six days ago, Foxconn had announced that they had received the regulatory clearance on [indiscernible] (01:00:15) which is sort of the foreign investment in the United States, given it's a factory. And I think that obviously is a regulatory aspect that they needed to get through, which is a big hurdle. So that was publicly announced.

James Albert Picariello

Analyst, Exane, Inc.

Q

Got it. Appreciate it.

Frank Boroch

Vice President-Investor Relations & Treasury, Fisker, Inc.

A

Operator, I think we have time for one more question.

Operator: Thank you. We now have our next question from Joseph Spak of RBC Capital Markets. Please go ahead when you're ready, Joseph.

Joseph Spak

Analyst, RBC Capital Markets LLC



Thanks so much for squeezing me in here. Henrik, I just want to go back to the dual-chemistry strategy, especially in the context of how you're talking about launching these vehicles. I understand you're going to launch the first addition first, and then you're talking about really a very high mix of the upper trim levels. But if you're using LFP for the lower trim levels, does this impact from a margin perspective really start to tip the scales? I mean, we just saw Tesla 20% operating margins largely on the back of really upping the LFP mix. So I'm curious about your thoughts there in terms of – I know traditionally you start high end and you move down, but given what's going on with the metal prices like, why wouldn't we consider or why wouldn't you consider a change in the mix launch?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.



Because when you have one vehicle at \$37,500 and the other \$69,000, you clearly have a way, way higher margin on the \$69,000 model. So, there's a much more headroom. And we don't have – we're not affected, like some full aluminum vehicles, like some of those you just mentioned, they obviously have a big impact right now, because of the rising aluminum prices. Our entire body is out of steel and some composite materials. In fact, something that I think nobody knows at this point and nobody has even noted, we have designed the Ocean originally to have a very, very low insurance cost and what we did was we actually made both the front fender and very uniquely maybe one of the few cars in the world – vehicle that actually have the rear fender in plastic, bumper material, like you have on the front and rear bumper, which means that you can actually bump the rear fender without even having to replace it, if there's not too high speeds. And if you do have to replace it, you just bolt it off and put another fender on. Whereas normally, the entire body side stamping is part of the rear fender and it can cost incredible amount of money to repair it.

Now, that now also comes back to the fact that because it's plastic, we don't have these issues with extra costs. So, no, I think it has a bring a brilliant tactic, because when – once we need to go up in volume, next year, LFP will still be a cheaper battery, whether we have increasing raw materials cost or not. That's why we chose in the first place.

Look, I'm going to be honest, I didn't forecast the Ukraine war back in early 2021 when we chose LFP. We chose it because it's generally cheaper. And we also chose it because we think that the Ocean in the future could be the second vehicle that you buy, and maybe mainly used in the city and for that you want superfast charging, and LFP actually offers faster charging, even though it has less range, but offer faster charging than NMC and other battery technologies.

So, I think we've got a real jewel here. And I think because we – it looks like at this point, we could be one of the first companies to offer this in the US. And I think it's a real competitive advantage and we can always decide to raise the volumes. And that's obviously what we're doing right now with Magna.

Geeta Gupta-Fisker

Co-Founder, Chief Financial Officer & Director, Fisker, Inc.



But just one point I wanted to add is that the reason why not just the customers want the fully optioned out trim, the reason to also start with that is because the – it has all the features. So you want to all the suppliers to scale up with every single tool and you want to make sure that we are able to showcase every single feature in that vehicle to the customers. So for us, it's really critical, it's all wheel drive, it's silicon carbide, it's NMC long-range batteries, it's got the California mode, it has solar roof, it has a rotating screen. So you really want to showcase the best attributes against benchmark first.

Joseph Spak

Analyst, RBC Capital Markets LLC

Q

Okay. So it sounds like maybe just by the rough math, like the margin gap between the trims has narrowed, but it still makes sense to go to go higher end.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Correct.

Joseph Spak

Analyst, RBC Capital Markets LLC

Q

And Geeta, maybe just – you made a comment about the guidance assumes any sort of, I guess, lack of absorption on volume with your partners. Can you just expand on that comment, I'm not sure I quite followed that? Sorry.

Geeta Gupta-Fisker

Co-Founder, Chief Financial Officer & Director, Fisker, Inc.

A

Yeah. Sure. Absolutely. Absolutely. So there's two things to think about. One thing to think about is that when you have a facility which is 9 million square feet, in the case of Magna-Steyr or some other peers, they have 4 million, 5 million square feet, you always have unused capacity. So in our case, we are obviously only paying for the capacity we use.

And the second thing is, in every vehicle launch, there is always something called inefficiency, meaning how many hours it takes to assemble a vehicle, because you're fundamentally training your workforce to assemble the vehicle in optimal number of hours, what you call EHPV or hours per vehicle, so – and E for electric. So in our case, we are not paying Magna for any inefficiencies. Magna, in the sense, above and beyond what we've currently agreed and that's factored into the guidance, because Magna's responsibility is to get to those optimal hours. However, if you're a startup or if you're a company that's assembling its own vehicle, you have to factor in those inefficiencies, which could be as high as 100 hours per vehicle. And you can calculate if the manufacturing costs are \$2,000, \$3,000 and it takes about 20 hours to assemble a vehicle. If you're going 100 hours, what does that do to your gross margins and those inefficiencies?

Joseph Spak

Analyst, RBC Capital Markets LLC

Q

Okay. Got it. Thanks [ph] for the clarification. (01:07:00) Appreciate it.

Frank Boroch

Vice President-Investor Relations & Treasury, Fisker, Inc.

Thank you, operator. I think that's all the questions we have time for this afternoon.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Yeah. Thank you very much. Thank you, everybody, for listening in. We are super excited about our next trip over to Austria mid-May and do another test run in the Fisker Ocean. Thank you very much, everyone.

Operator: Thank you for joining. This does conclude today's call. You may now disconnect your lines.

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