



**Fisker, Inc.**

**Second Quarter 2022 Earnings Call**

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## CORPORATE PARTICIPANTS

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**Henrik Fisker**, *Chief Executive Officer*

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**Joseph Spak**, *RBC Capital Markets*

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**Adam Jonas**, *Morgan Stanley*

**Pavel Molchanov**, *Raymond James*

**Shreyas Patil**, *Wolfe Research*

## PRESENTATION

### Operator

Good afternoon. Thank you for attending today's Fisker, Inc. Second Quarter 2022 Earnings Call.

I would now like to pass the conference over to our host, Frank Boroch, with Fisker.

### Frank Boroch

Thank you, Francis. Hello, everyone, and welcome to Fisker's Second Quarter Earnings call.

As the Operator mentioned, my name is Frank Boroch, VP of Investor Relations and Treasury here at Fisker. 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 in 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 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**

Thank you, Frank, and thank you, everyone, for joining this call.

I first want to actually begin thanking all our teams and our partners for the incredible progress we have made year to date. I'm really, really excited. I'm actually really excited about this call because we've got so many exciting things to announce. Of course, the progress has continued at a great pace and is on schedule when it comes to the Ocean, and we are on track for SOP on November 17 this year, as we have stated previously, and that remains the same. We've also continued into the next phase of our second program, the PEAR program. I'll talk a little bit about that later.

We have completed 55 Ocean prototypes, and they've, of course, been built to do all our testing that continues, and we have got some great results, and Magna continues to build prototypes throughout the rest of this year until SOP. We also have had reservation growth that has continued at a rapid pace. We now have over 56,000 reservations, including 5,000 pre-orders for the Fisker Ocean One. So, we are seeing customers responding to the Fisker Ocean's class-leading and industry-first features.

I want to mention that getting thousands of people here in the U.S. to put down \$5,000 non-refundable on a vehicle they haven't seen yet, they haven't sat in yet, they haven't driven, really shows for me the commitment, but also the value proposition that we have in the Fisker Ocean, not only in terms of price, but all the things that we offer. If you go to our website, fiskerinc, you can see that we have many, many features that you can't even get on another car. You can't get such a big solar roof as we have. You can't get a California mode. You can't get a 17.1-inch rotating screen, and I can go on and on about all the features, these fantastic features that we have developed that the Fisker Ocean have, and quite frankly, makes it stand out in its class.

Now, we opened the pre-orders in early July for a \$5,000 or local equivalent down payment in Europe, and for the exclusive launch addition, which we call the Fisker Ocean One. I'm happy to say that we are sold out of all the 5,000 Ocean Ones pre-orders, and everybody paid \$5,000 for that order. And that really represents, in my mind, a real order and is actually quite a historic moment, because I don't think anybody has ever done that before in such a way. It really also shows that we now have a potential revenue of \$350 million, which are already secured before we start production, which I think is amazing.

Let's get to the balance sheet. It remains solid at over \$850 million in cash, and our business continue to scale. The Fisker team are now over 550 people, representing over 60% growth year to date, including our new SVP of Global Manufacturing, who will focus on lean manufacturing and innovative techniques. What I mean by that is that Fisker have a development process where it's all about efficiency, so we are bringing a manufacturing brain power in early in the development process, specifically on the PEAR program, because we have a very, very tough target to reach in terms of cost for that. That includes, of

course, ease of manufacturing, so that I've given very clear guidelines to the engineering team, reduce parts, reduce cost. We are now in the second phase of that program, and I'll talk a little bit about that, and we are still on target to launch that vehicle for under \$30,000.

Now, also, the organic marketing efforts continue. U.K. debut at Goodwood Festival of Speed and we had a French debut in Paris, plus continued progress on our Fisker launches, which is what we call our experience centers or showrooms, which we expect will open later this year, both here in the U.S. and Europe. And also, stay tuned for our pop-up events and our inaugural appearance at the Paris Auto Show in October. So, we obviously are starting to get more marketing vehicles in October, and that's when we're going to start getting out and showing our car a little more as well, because I know a lot of people have asked for that, but we are now starting to get these marketing cars in October that we can start showing.

Let me go back to a little more detailed Ocean update. So, our number one priority is to launch a high-quality Fisker Ocean on time, and we remained on track to do so. On the prototype update, as I mentioned, we have completed the 55 prototype builds and continue to build vehicles, and the testing and validation is well underway. In July, Fisker Ocean prototype arrived in the U.S. for testing. We have five prototype vehicles in Michigan, undergoing ADAS testing with Magna, and also completing testing for high-pressure water tightness, high- and low-speed features, powertrain, and much more.

Our U.S. internal crash testing, which we do in-house by the way with prototypes, achieved five-star equivalent ratings, which gives us confidence in formal ratings when they come out. Now, we are not in charge of when those formal ratings come out, because basically, IHS and other rating companies have to buy our vehicles next year and do their own testing, independent testing. But we are very confident that we achieved a five-star equivalent rating, what we have done so far, because obviously, we have done all the testing internally.

I personally received my Ocean test vehicle in L.A., and have been very impressed with the handling and performance. I'm driving around on many different streets in L.A., and I'm just so amazed about what we have accomplished with this vehicle so far. This is not even the final vehicle. It still needs fine-tuning. But I've also driven this vehicle actually in a later stage on the suspension on the high-speed track in Italy, and I can promise anybody this is going to be one of the best handling SUVs in the world, hands-down, specifically when you combine the actual cornering and driving ability and performance compared with comfort. It's easy to make a super sporty car, and it's easy to make a super comfortable car, but combine the two for everyday use is super difficult, and we have really achieved this with the Fisker Ocean. I can't wait for people to get in and drive it.

Now, the Ocean demand remains strong. Our marketing and brand building efforts are working. Most impressive is selling out of all the 5,000 Ocean Ones launch editions pre-orders, with customers in all nine launch countries and all 48 continental U.S. states. Our customer outreach was limited to our launch market in reservation order. Based on our information, this is the largest deposit amount of number of launch units for any premium affordable vehicle, so I think we did really well here. We have a very unique internal database marketing strategy as well we are using, and we are building that skill internally.

The Ocean is a luxurious, fully-loaded edition, the Ocean One, of the Fisker Ocean, that include rarities and features uniquely only to the Ocean One, including an Ocean One signature batch, plaque-specific numbering, and over \$5,000 of included options. People love the Big Sur Blue, so far, most popular color selection. We obviously can see what people have ordered. The \$5,000 down payment show us that customers are truly committed and allow us to plan to build with their unique colors and specifications months ahead of SOP, leading to a more seamless launch and initial deliveries. I mean, that's another very important point. The more you can plan your production ramp up, the better it is, and we are able to do that because of these firm orders we have got for the Ocean One.

Another thing, the customers recognize the great value proposition of the vehicle, the many class-leading or industry-leading features, and the confidence in the Fisker and Magna to produce a high-quality vehicle.

And we truly—we also appreciate customers' understanding of the current elevated logistics costs that, quite frankly, in my view, are way too high, but we are just passing over the costs of logistics to our customers. I will promise, if we get to a point where these logistic costs are falling, we will also lower our delivery cost. This is simply just a factor of the current environment. I want to remind everybody that we have not raised the prices for the first 40,000 vehicles we'll deliver, but we do have to pass over certain logistic costs, such as delivery costs, unfortunately, to our customers. But, I do think these costs will fluctuate based on logistics rates as we move forward, and then we will adjust them as well.

Reservations generally continue to increase, and we have started the strategic discussions with Magna to add capacity, continued strong growth, because Ocean is segment leading, has a great design, and has many sustainable credentials. As we get closer to SOP and continue to be increasingly transparent with respect to our product and what customers are getting, and for what price, prospective customers should only get more and more excited reserving an Ocean. We think we're seeing that already. As you start comparing our vehicle and the specification with other competitors, I think we're way ahead. And of course, we are going to show even more detail about some options, and actually, equipment that we haven't announced yet that I think only is going to add to that.

Starting on November 18, the day after our official start of production, we are happy to announce that we will begin taking pre-orders for our customers who are interested in the Ocean Extreme trim, and this will be followed by pre-orders beginning—opening for our Ultra and Sport trims already in Q1 2023. We are going out in phases, which will help us, again, plan our production forecast. We have reserved both Ocean Ultra and Ocean Sport production for next year, so even if we were to be completely sold out of next year's production of Extremes, we are promising we'll still build some Ocean Ultras and some Ocean Sports, and they will be available from around Q3 next year.

Let's come to the PEAR update. In early May, Foxconn completed its acquisition of an operational 6.2 million square foot manufacturing facility in Ohio, and that's where PEAR will be built, using the Fisker-developed SLV1 platform. That's a brand-new platform that we are developing in-house. And again, as I mentioned, it's about reducing parts and cost, so we can get a super exciting vehicle on the road, with high technology, without spending it on platform stamping and complicated structures, etc. We intend to build a minimum of 250,000 PEAR vehicles a year, once the plant ramps up production.

PEAR reservations have now surpassed 4,000. We, of course, haven't shown much of the PEAR. That's kind of a new image today, a little bit of the front with the super-cool round front windscreen that we are working on getting into production. It's difficult, but we'll make it. We make things happen at Fisker. We make dreams come true. We don't give up on innovation. So, there's a lot of innovation features in the PEAR, something that not only have you never seen in that price class, but I actually think you have never seen it on any car—any production car before.

There is—I'm super excited about this vehicle. I think this will really be redefining not only how you develop a vehicle, but also the content of the vehicle, the design of the vehicle, and finally, what you get for your money in an electric vehicle. I know a lot of doubters out there that we won't be able to make this vehicle for under \$30,000. But we are doing it with the Ocean, and we'll do it with the PEAR. We have an internal process that is unique and that's really allows us to get to that point. But you can't get to that point if you try to develop a vehicle like you have developed gasoline vehicles the last 100 years. You completely have to rethink what a mobile device is of the future. That's what we have done with the

PEAR, and I think we're going to excite the market when it comes out in 2024, which is still scheduled for, and as I said, starting under \$30,000 before any incentives.

I also want to mention, again, we have—this vehicle will be built here in the U.S., so now we have manufacturing opportunities in Europe, and we have manufacturing opportunities in the U.S. I think that's extremely important that we have been smart enough to hedge. No matter what type of legislation comes in the future, I think we are in a very safe position. We've got affordable vehicles. We have hedged our manufacturing strategy. We have brought in a super manufacturing guy that are looking into even more opportunities, what we need to do for localization of manufacturing, what do we need to do for potential battery manufacturing here in the U.S. in the future, battery JVs, etc. So, there is nothing that we are not looking at. All opportunities are open. Because we are so agile and fast, we can actually move and actually do what's needed to fulfil the market conditions.

In fact, we are already looking at actively offer some presales of the Oceans, should legislation come into place where we would want to take our customers to take advantage of the \$7,500 tax rebate for 2023. So, if that becomes necessary, we have already a plan, and we'll announce that if it's needed, so I'm very comfortable with that as well.

Let's come to the customer experience strategy and an update. Fisker Brand Lounges, we will—which we previously referred to as experience centers, will offer prospective customers the opportunity to see and experience the company's vehicles, as well as speak with product experts on hand. Depending on state laws, some Fisker Lounges' showrooms will also offer test drives. There's a few states where that makes it more difficult, so we will find other ways to make that happen. Don't worry. Locations, in addition to L.A. and Munich locations, we expect to open later this year. We expect to announce a further location in the next few months. We are already negotiating on a lot of different real estates, both in the U.S. and Europe.

We will also have Fisker Center Plus locations. Our Center Plus locations are really delivery centers, and it's service centers and where you will go to test drives. That's a real unique Fisker strategy that hasn't been used by any other car company in the world, and we are doing that so we can offer you, the customer, a much better experience, but also more value for money. We don't want to charge you for expensive buildings and leather couches and all that stuff. We want you to come and pick up the car, which you probably only do once every two or three years, and you would rather go and get a great price for the car than having to go to a super expensive glass palace, and we have to add \$2,000 per car. We don't do that. It's about getting product to our consumers that are state-of-the-art at the best price.

Service centers will be operated by Fisker. We, of course, also have partners strategically placed until or even during the service centers operation, where we can also bring vehicles in for service. Of course, with our fantastic and I think class-leading warranty, nobody really has to think about service for the first five or six years. In fact, if there's any warranty issues, obviously, it's Fisker's obligation, and we will come and pick up your vehicle, and we will either do mobile service, or we will take it to one of our Center Pluses, or we will take it to a partner of ours. But we take care of it, you absolutely don't have to worry about it, as a customer.

Finally, our advanced sustainability vision, a clean future for all. We are proud that Fisker Ocean will be produced in Magna's carbon-neutral plant in Austria. The Fisker Ocean will contain over 50 kilos of recycled polymers and bio-based materials, more than any other vehicle that we know of currently on the market, highlighting our commitment to sustainability. Our vision when we started, and we talked about that already two, three years ago, was to make the world's most sustainable cars, and we are coming through with that. We have an amazing in-house team. We have a leader of ESG, and we are going to soon announce our ESG impact report later this month, and we're actually doing that ahead of production, which is very unique. I think this illustrates how integrated ESG is throughout our business. We also are

still very firm on wanting to reach to create a CO2-neutral car by 2027. Most likely, we will use the PEAR model as a foundation for that CO2-neutral model, so already, a lot of these ideas are flowing into the PEAR program, and we are aiming to lead with the world's most sustainable vehicles.

I'm very optimistic about Fisker's future and realizing our vision of a clean future for all.

I now want to turn it over to Burkhard, our Chief Technology Officer. Burkhard?

**Burkhard Huhnke**

Yes. Thank you, Henrik.

Beginning with the Fisker Ocean, engineering testing and validation is progressing well, and we remain on schedule to achieve SOP in November. We have super-agile teams at Fisker and Magna that efficiently collaborate in a modern way. Fisker and Magna's shared reach and experience continue to ensure all our parts are sourced, delivered, assembled, and tested on schedule. We are closely partnering with our supply chain to protect our November 17 production plans. From our vantage point, semiconductor chip availability is improving and positions us very well for SOP.

The all 55 of our complete prototypes have been built, and performance has been confirmed. These vehicles have production intent design and components and are used for validation in all attributes, such as safety, with the highest NCAP ratings, ADAS, NVH, climate comfort, powertrain system performance, chassis, electrical integration, and complete vehicle durability. As we progress through the different performance tests, our agile teams can quickly synthesize the results and rapidly make any final modifications. Based on extensive testing, including around 40 vehicle-level tests, subsystem testing, and simulations, the Fisker Ocean is on track to meet global certifying.

We have recently begun our next build phase. It's called the PTO build, which is done with bodies built from the series (phon) manufacturing line and paint process, and is in—is in the final build before we enter our serial production. These vehicles are intended to be fully representative of the final series design and will later be built on the series final assembly line. They will be used for final validation and testing of complete vehicle performance, comfort, and functions. In addition, these vehicles will be used to start all final certification and homologation testing. Henrik, Geeta, and I are going to Graz next week to observe and monitor this final build phase. We have been collecting data throughout our build phases and are closing the iteration loop to update the final phase as we approach serial production.

The full Ocean program has come nicely together. We bought over several prototypes vehicles to the U.S. for testing of ADAS, electrical and infotainment systems, and overall functional comfort. We believe this is really important to have the data from every region to be customer-oriented in every situation. We have had a close collaboration with Bridgestone to ensure top performance. In general, we have done everything to maximize driving range of our vehicles, including optimization, work on efficiency, brake work, and more.

Integration work on software and electronics is currently underway, and all the domains are coming together, including the user interface user experience, we call it UIUX. We are simplifying and integrating features for 100% customer reliability and satisfaction. The customer experience inside and outside of the car is supported by our creation of a highly scalable, secure, multi-cloud infrastructure to support Fisker's future vehicle fleet. Our state-of-the-art technology provides for bidirectional connection between the vehicle and the cloud. This enables our vehicles and mobile apps to dynamically interact. The end result, the digitally connected vehicle with easy-to-use functionality that is always available for our customers.

Our OTA, over-the-air updatability, strategy is unique and is fully driven by Fisker Cloud. It allows us to update individual vehicles, as well as portions of all of the fleet of vehicles. We believe the revenue and margin potential of our connected strategy will be first of its kind.

Now, to briefly touch on PEAR, specifically. PEAR engineering has continued to ramp. As Ocean gets closer to SOP, we are transitioning more and more resources from the Ocean program to the PEAR program. We have finalized the concept and have begun the A sample phase. The PEAR will have a truly revolutionary electrical architecture, with the many ECUs and traditional vehicle consolidated down to a few central computer units. Fisker continues to rapidly scale our core technical competence with robust in-house IP creation to both software and hardware engineering. We have much in-house software competence, and I'll focus on the main domains, software cockpit computer, ADAS, battery, and powertrain.

Our San Francisco technology center, along with our newly established India headquarters, are focused on the design and engineering of software systems to support the Ocean and future vehicle programs. Our technical staff has grown over 50% year to date, to approximately 300 strong. A further illustration of our growing technical progress in in-house IP creation is Fisker's rapidly expanding global patent and patent pending portfolio, currently around 70. We've built a fantastic team and continue to invest in internal capabilities that will enable Fisker to innovate and introduce cutting-edge technology into our platforms.

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

### **Geeta Gupta-Fisker**

Thank you, Burkhard, and welcome, everyone.

With over—just over three months to SOP, our number one priority is ensuring development timelines remain on track and that our supply chain is ready for our start of production on November 17 and a subsequent ramp-up in 2023. In this current tough environment, it is extremely important that I emphasize our asset-light strategy, which we started off with over two years ago. It is a very purposeful strategy designed to support us in all economic cycles. It offers scale benefits without the complexities, risks, and fixed costs of a fully vertically integrated approach. We continue to staff up with 530 full-time employees across nine countries. Of course, that does not include over 500 colleagues we have at Magna Steyr, in Graz, in engineering, purchasing, quality, advanced manufacturing engineering, and over 1,000 colleagues we have who will ultimately build the Fisker Ocean at Magna Steyr.

Even after this growth, we are still a small fraction of the size of other sector participants, yet we aim to produce more vehicles in our first full year of operation than any other EV start-up has done in history. Our unique model reduces the high operating leverage inherent in this industry and dramatically shortens the development timeframe.

Now, let me share some of our recent Ocean program milestones, in addition to what Henrik and Burkhard already spoke about. The prototype build phase is now complete, with 55 prototypes deployed globally. Critical testing and validation required for launch is well underway and on track for our November SOP timing. We employ a comprehensive supply chain management approach. I had mentioned last time on our earnings call that we have an executive team, an executive supply chain task force between Fisker and Magna that continues to systematically conduct reviews, meet suppliers, and solve any critical issues we have with suppliers. These include in-person visits to confirm bumper-to-bumper readiness for tooling, part status, capacity, and production part approval process achievement, also called PPAP. We continue to update our supply chain with our latest reservation and pre-order numbers and discuss opportunities for subsequent expansion beyond existing capacity targets.



Staying on the supply chain topic, commodity pricing has come off the boil since our last call. For example, steel, which is more important for Ocean than aluminum, is down 40% from early May and 55% year on year. Key battery components have also moderated a bit. In addition, the strong dollar has mitigated inflationary pressures for us as well, since many of our supplier contracts are euro-denominated. Euro has weakened 10% year to date versus the U.S. dollar and is currently bouncing along its lowest level in 20 years, since 2002. As a reminder, our contracts favor -- factor in commodity prices, inflation, productivity, and foreign exchange. Some of these critical elements will be calculated on a quarterly or annual basis as we start to ramp up production next year. As a result, we will have much better visibility of the actual impact of commodity prices to our BOM further into 2023.

While we plan to produce between 40,000 and 50,000 Ocean vehicles in 2023, we expect this to be back-end loaded, reflecting our deliberate early production strategy to ensure we deliver a high-quality vehicle to our early customers. I want to level set revenue expectations for 2022. With the limited number of working days between November 17 and year-end, combined with holiday-related factory closure and vehicle transit time to the U.S., this translates to little to no revenue this year.

We have clear visibility and locations of our first 5,000 Ocean One customers and are fully focused on establishing a seamless experience as we start delivering these vehicles. This insight provides significant advantages, including optimal customer service and efficient cost management, by enabling us to sequence with precision our delivery centers, parts warehouses, last-mile logistics network, and local after-sale support infrastructure.

Last month, we announced Fisker Finance, a digital financing platform, offering seamless and convenient loan purchase options to Fisker customers. Retail loan options include vehicle, accessories, and home charging equipment financing. We reaffirmed the nomination of Chase in the U.S. and Santander Consumer Finance in Europe as our retail financing partners. As a complement to vehicle financing, we also aim to provide our customers with value-added services, such as trade-ins and competitive insurance on our digital platform.

Before turning to our financial results, I want to make some comments about customer deposits. As Henrik mentioned, we are very excited to have sold out all 5,000 pre-orders for our Ocean One launch edition, secured by \$5,000 or equivalent in local currency deposits from each customer. From an accounting standpoint, we will not recognize revenue until the underlying vehicles are delivered to customers. Our Ocean One customers' hail from all nine launch countries and utilize various payment methods for their down payment. As a result, depending on the down payment method, the financial intermediary either transfers those deposits to Fisker shortly after pre-ordered or when the vehicle is delivered.

Turning now to our Q2 results, balance sheet, and 2022 outlook, our Q2 operating expenses of \$88.7 million, or \$87.5 million ex-stock compensation expense was consistent with our internal expectations. Capital expenditures of \$54.2 million increased from Q1 levels, due primarily to the timing of Capex billing. Operationally, R&D decreased in Q2 versus Q1, primarily due to lumpier milestone timing in Q1 on Ocean.

The slight decrease in SG&A expense quarter over quarter was due to effective cost controls and the non-recurrence of major trade show events in Q2. Q1 had CES and Mobile World Congress, partially offset by team member growth. As a reminder, our equity interest in Allego is reflected in nonoperating results. We are working to develop seamless integration of Allego's vast European charging network onto the Fisker app and HMI, and we will offer 12 months free of charging on the Allego network for activations prior to March 2024.

During the second quarter, we recognized a \$10 million mark-to-market loss, or roughly \$0.03 per share on Allego holding in other income, which will obviously fluctuate each quarter based on Allego's share price. Our balance sheet remains solid. We have stayed disciplined with our spending, finishing the second quarter with \$851.9 million in cash. We have the resources to fully fund the Ocean program launch in November and to stay on track with our other projects in 2022.

During the quarter, we also established a \$350 million at-the-market equity program, which is part of the \$2 billion shelf we have. During second quarter, we tested the plumbing on the ATM facility, and we brought in approximately \$14 million. We continue to evaluate multiple options across a range of funding channels to efficiently finance our growth beyond Ocean SOP, including our working capital needs, brick-and-mortar facilities, and future vehicle platforms.

In addition to evaluating incremental sources of liquidity, we regularly assess the levers we can pull to adjust spend, if warranted, for example, the pacing of our physical infrastructure investments and regional hiring activity and prioritization. We remain nimble and positioned to bolster our balance sheet in support of future growth opportunities, as appropriate.

Turning to the outlook, as noted in the press release, our overall non-GAAP OpEx plus Capex guidance for 2022 remains unchanged at \$715 million to \$790 million. The bulk of the spend is continued execution of Ocean through launch, plus costs of running the business, with PEAR R&D spending ramp—ramping up in the second half of the year. Product-related Capex is Ocean-driven, as we don't expect any significant Capex on PEAR this year.

I'm very proud of the entire Fisker team's determination, resilience, and agility, including all our suppliers and partners, for navigating through a dynamic environment and maintaining our laser focus on launching an amazing vehicle on time.

We're now happy to take your questions.

### **Operator**

Thank you.

Our first question comes from Joseph Spak with RBC. Please go ahead.

### **Joseph Spak**

Thanks so much, everyone, and thanks for all the commentary.

Geeta, I know you went through this a little bit about some of the commodities moving and contracts resetting, either quarterly or annually depending on this environment—there's still, I think, a lot of investor confusion out there as to who is exactly responsible for the different forms of potential inflationary costs. I mean, I think it's pretty clear that you paired the cost on some of the batteries, but stuff like steel versus energy cost, for instance, like how does that work with your contract manufacturers?

### **Geeta Gupta-Fisker**

Yes. Sure. As I had mentioned in my commentary that all our contracts, they actually address any inflation which obviously clearly impacts labor. If there is any commodity prices, which are indexed to London Metal Exchange, which is pretty normal in all these contracts, then there is obviously productivity. Generally, all contracts, automotive contracts, have productivity. Because you improve the way you do things, means you do things faster, then there is foreign exchange. All the contracts, they are between

Fisker and suppliers, and we adjust them on a quarterly basis. Typically, we are, of course, as a customer, responsible, but we work with our suppliers to look at all these numbers on a quarterly basis and would adjust for them upwards or downwards.

**Henrik Fisker**

Maybe just—again, just to make it clear, Joseph, since we're not in production, we are not affected by any of these prices at this point in time.

**Joseph Spak**

Right. Okay.

Then the second question, Henrik, it's great to hear that these prototype vehicles are getting out so you and the team can test them and make additional refinements. But you are about 100 days away from SOP. I guess, like, when do we need to lock down? Because I'd imagine you want to try to minimize changes on the line once it starts. It's certainly gotten some other start-ups in a little bit of trouble. Related also, now that there's some prototype vehicles stateside, when should we expect drives for third parties, like the media, or maybe more investors and analysts?

**Henrik Fisker**

Yes. So, first of all, there's two different type—or actually, several different type of prototypes. So, as I mentioned was that we have already built 55 prototypes that are actually use for all the hard-core testing. So, the test vehicles we are getting here, which is all nicely painted and not in camouflage, those are test vehicles which are for me here and maybe a couple of our engineers to drive around in, I would say a little bit more as a fine-tuning for maybe some chassis feedback. But there is no real adjustments happening at this point in time as a result of driving around in those test vehicles. We have done most of that fine-tuning on test tracks, etc. These vehicles, like I mentioned, we just got now are really like fully painted, nicely done up and all that. We are driving around, and so that's not unusual.

Also remember, I know you referred to other EV start-ups, and they, I'm sure, are doing their own processes, etc. But we are following a slightly more traditional OEM process when it comes to testing because we are working together with Magna, so I don't think anybody should worry about us making any changes on the line. That's really not what we are going to do. We have already made the changes we need to do. The only thing that usually at this day and age when we are talking about new technology that is getting improved and adjusted until you launch and actually even get upgraded after launch, which happened in the smartphone world and the computer world of software. So, we will continue improving software even after launch and upgrading our systems, and I think there's already another carmaker that has done that. I think you will see many future carmakers doing that, because it is constantly evolving. But the hardware itself, there is no more adjustments already to that. That has already been frozen and fixed, so I don't really see any issues there at all.

When it comes to when are we getting people in the vehicles, I would have liked to have got people in the vehicles a little earlier, but I don't want to get peoples into a vehicle that is only 90% or 95% there. I want it to be 100% perfect. I think it's going to be closer to beginning of November is my best guesstimate right now. You also have to remember that every single vehicle that we are making right now is spoken for in terms of being used for something, whatever that might be, so I think it's going to be closer to around November timeframe.

**Joseph Spak**

Okay. Looking forward to that.

Geeta, maybe one more quick one. The guidance does imply a step-up in OpEx in the back half (audio interference) makes sense as we approach launch. Just from a cadence perspective, though, is it more (audio interference) third quarter with the launch, or is it more balanced because some of that spending needs to happen in advance of launch?

**Geeta Gupta-Fisker**

I think it's more balanced, Joe, to be honest. We've been pretty prudent, and we took some early measures. Also, as Henrik mentioned, we took some decisions on some of the operations where we didn't go into some of these expensive Fisker Lounges. Some of these numbers we have the capability to control, and I think there is absolutely zero change in some of the expenses we have on Ocean, so very balanced.

**Joseph Spak**

Thank you.

**Henrik Fisker**

Thank you.

**Operator**

Thank you for your question. Our next question comes from James Picariello with BNP Paribas. Please go ahead.

**James Picariello**

Hey, guys.

Regarding the proposed EV tax credit legislation and the final North America assembly requirement to be eligible for half of the \$7,500 credit, if this goes through, I mean, could Fisker utilize the Foxconn plan or just some other measure to meet that final assembly threshold so that the Ocean is eligible for at least half of the credit? Just wondering what your initial kind of first-blush contingency plan and your thinking there, what that looks like?

**Henrik Fisker**

Yes. What I mentioned earlier is that we have just hired a Senior Vice President of Manufacturing with a lot of experience here in U.S. manufacturing, and we are putting together a strategy with him. Should this legislation take into effect, we would have some countermeasures where we would definitely have Ocean U.S. manufacturing. We're not ready to announce where and how, but that's something we are actually working on. Absolutely.

**James Picariello**

The battery supplier alliances that you have in place today, do those suppliers have U.S. capacity to meet the other half of the tax credit? Just wondering what your thoughts are there.

**Henrik Fisker**

First, this is a very complicated legislation, where we're also talking about materials in the batteries. I would actually estimate—I mean, I don't even know if there's one car today that fulfills all these requirements that will get the full tax benefit. I don't—for sure, I don't even think it's five cars, so it's definitely not a good legislation for any consumers that want to buy an EV, no matter where it's made. But in terms of battery, with the Ocean, we have a very firm contract with CATL, and I can't speak for them, but I think there's already been some news about that they're looking for U.S. production.

For the PEAR, we have not made a final decision on who's going to supply batteries or whether it's only going to be one supplier. But one thing is for sure, it would be a better supplier that would have eventually U.S. manufacturing. I could see us make a close cooperation, a joint venture. We are not quite ready to announce that yet, but it's something that we clearly are planning for with or without that legislation, because making 250,000 vehicles in Ohio, you're going to need to have battery manufacturing in the U.S.

**James Picariello**

Yes. Okay. That's super helpful.

Then just on the ATM, \$350 million ATM equity offering, is there an expiration to that tranche?

**Geeta Gupta-Fisker**

Yes, great question. It's actually—sorry, did I hear two—it's \$350 million, so there's the three-year shelf life.

**James Picariello**

Okay. And then, yes, my broader question on that point is, how are you thinking about additional liquidity sources out to 2023, if that equity offering comes in light through the rest of this year? It sounds as though you're comfortable talking about cash on hand getting you well through this year, but what are the options and your thoughts on liquidity as you—2023.

**Geeta Gupta-Fisker**

Yes. Yes, great question. So, again, I want to repeat that we were very, very proactive last year. We are in a capital-intensive business. We plan to bring four vehicles to market by 2025, so we clearly need capital to fund these programs. We need capital for marketing sales and service. We need capital to support customers. So, we clearly need capital, but we also want to be mindful of raising capital at the right time, at the right valuation, and when it's opportune, so we already showed that last year when we placed a convertible note, \$675 million, which had a five-year maturity at great terms. It's a great instrument that we used.

In addition to that, in the \$2 billion (phon) share of the \$350 million is already allocated to ATM. It's a 3-year shelf life. As everybody knows, the mechanics of an ATM, it's not something you close within a day or so. It's just a long-term instrument. So, we have that instrument available as and when we need and we feel the market is right.

Now, in addition to that, there's obviously clearly an equity market, and we have a balance of \$1.65 billion left in the shelf, and we can use that shelf to place straight equity. If the market conditions are right, we could place a convertible note. So those—both those instruments obviously go straight to the balance sheet.

Then finally, again, reiterate that we are talking to multiple banks to discuss an asset-backed loan against parts or work in progress against finished vehicles when they leave Magna and are transit to our customers. The fact that we completed these 5,000 Ocean One pre-orders is a great testament to show a potential of \$350 million revenue to some of our potential lenders, who can clearly see that we have imminent revenue coming. We are looking at all these different approaches, including others which I haven't talked about—emission credit sales and all the other options. We will absolutely strengthen the balance sheet in the coming months.

**James Picariello**

Thanks.

**Operator**

Thank for your question, James. The next question comes from Adam Jonas with Morgan Stanley. Please proceed.

**Adam Jonas**

Hey, everybody.

Geeta, I know you're going to have more visibility when you actually start making cars, but you did say that you have the discussions at least quarterly. Based on that, how much does an Ocean bill of materials cost today in U.S. dollars, factoring in the euro weakness, but then the other puts and takes on the input prices and energy, etc.? How much more does it cost today versus, say, one year ago, order of magnitude, not going to hold you to a specific dollar amount.

**Geeta Gupta-Fisker**

Yes, Adam, it's a great question. We actually don't encourage those discussions because they don't really mean anything. The reason for that is that when we talk to suppliers, they only price out when we are ready to put a purchase order for a quarter. Honestly, these—we clearly have costs that are related to content that are related to our design intent parts currently. The reason why we never increased prices was because we were very confident with what we are seeing and what we are discussing with our suppliers. Now, I don't know what Q1, Q2 next year looks like. But again, we are very confident that if there is upward movement in commodity pricing, we have enough headroom to absorb that. Areas where we feel it's justified to share with our customers, as Henrik mentioned earlier, is logistic cost. Instead of building it into the price of the vehicle, we instead separated it out for full transparency.

I think to answer your question, we haven't really done serial pricing right now with suppliers, because we're not producing cars. But again, I don't see any surprises next year. But we don't know.

**Adam Jonas**

Okay. Thanks Geeta.

Just a follow-up—and thanks for the comments and being very open and transparent about the need for capital going forward. But just specifically for the ramp of the Ocean, you said you have enough liquidity for year-end and into '23 for development work. But, is it safe to say that you would need capital to actually ramp production of the Ocean?

**Geeta Gupta-Fisker**

The ramp needs are obviously cash flow working capital needs, right, where we have certain terms from suppliers and you're only realizing, like I said, revenue when the customer pays, and typically the customer pays when you exchange the asset. Obviously, as a start-up, we're trying to explore if we can get nondilutive funding. If there is a delta, then absolutely, we're going to have to raise money, and we could supplement that through the ATM. We could supplement that through a convertible loan, depending on the borrow and depending on the market conditions. We could supplement that through another equity raise. We absolutely are working with banks to identify exactly what that capital need is and how should we structure it.

**Adam Jonas**

Thanks, Geeta.

You're talking to banks, but is it too soon to think about exploring strategic value for the Company as well? Thank you. That's my final...

**Geeta Gupta-Fisker**

We are opportunistic Adam. We are always thinking about any opportunity that comes our way. Absolutely, we are always looking at strategic opportunities as well.

**Adam Jonas**

Thanks, Geeta.

**Frank Boroch**

We're going to take a few questions from the retail shareholder poll online. The first one is for you, Henrik. When will you be able to share rollout plans, including when reservation holders can expect delivery in their markets?

**Henrik Fisker**

We are looking at—we're launching our new interactive configure rate in October. What we just said was, we're going to start taking firm reservations on the Extreme November 18, the day after we start production. At that point in time, we would definitely give an indication of the quarter you'll get deliveries in. Then, of course, as we get closer to the actual delivery, we will give a firm, probably about six weeks before. We are working on all these details right now, and we want to be as accurate as possible, and we'll probably also allow people to somehow track where is their car in this entire process. But we should be able to give, in the end of this year, some pretty clear guidance on when the people will get the car.

**Frank Boroch**

Thank you, Henrik.

Next question, with the way the economy is going, is Fisker going to market to masses or only make vehicles for elite consumers?

**Henrik Fisker**

Well, I think we already are. I mean, our—we have already said that we will produce the \$37,500 Ocean Sport from Q3 next year. We have already announced our PEAR, which will be starting under 30,000. I don't even think I can count on one hand the amount of EVs that is going to come on the market in 2024 that's going to be under \$30,000, so I think we will have a really unique proposition and super high-volume potential for our two vehicles.

What was important about the Ocean was that we ultimately are able to get really high volumes out of that vehicle by having a base price of \$37,500. What's important about the PEAR is to get it under \$30,000, because now you're talking about potential of millions of vehicles. Absolutely, I think we will have a large span. I think we have design which is timeless, which is done in a way where you can't really see what the price of our car is. I mean, a lot of people think they can't afford the Ocean when they see it for the first time and they don't know the car. I've had people saying they thought it was \$80,000, and of course, it's not. We will definitely continue to offer value, all the way from our PEAR on the \$30,000 all the way up to our Ronin. Even if we do a \$200,000 car, it would offer tremendous value, and I think that's part of how we develop our vehicles, and that's what we stand for as a brand.

**Frank Boroch**

Thank Henrik. The last retail question, is there a chance that Ultra production may start sooner than Q3 2023?

**Henrik Fisker**

Not at this point. We have to plan production far ahead, and we also have to think about the Company's financial health. I know we have a lot of investors on the call, and I'm sure there's also a lot of people who has maybe ordered an Ultra, or even some investors that are ordered an Ultra. But ultimately, we are a business, and what we are seeing right now is a very healthy demand for the Extreme and the Ocean One. Right now, we can see that we should be able to fulfil maybe even not all of these orders all the way to Q3. Normally, if we wouldn't have committed to start Ultra and Sport production in Q3 next year, we may have been able to go all next year without producing any Ultras or any Sports, but it was very important for the Company to stand up to what we have promised, which was to deliver a \$37,500 car and a \$49,900 car in Q3 next year, and we stand by that promise. We have planned it into our production, and that's what we're going to do.

**Frank Boroch**

Thank you. Operator, can you go back to the analyst queue now?

**Operator**

Thank you. Our next question comes from Pavel Molchanov with Raymond James. Please proceed.

**Pavel Molchanov**

Thanks for taking the question.

You touched on the U.S. tax credit. I wanted to ask about the U.K. You are planning to launch a right-hand version of the Ocean in the U.K. market next summer. Then in June, the British government wiped out the plug-in car grant. Does that change your strategy for entering that market?

**Henrik Fisker**



No. In fact, we saw an incredible uptake in the Ocean One orders from the U.K. We had actually allocated a certain amount to the U.K., but they went way over, so we didn't have—see any impact on that. I think we're extremely price competitive with our vehicle already in the U.K. Let's not forget that in the U.K., this applies to everyone. It's not about if your vehicle is manufactured in the U.K. or stuff like that, so it really has no impact, I think, on our competitiveness. If everybody has to pay a little more, then everybody has to pay a little more, and we are still competitive. We haven't seen any negative feedback on that, and we have not changed our plans. We will start delivering right-hand drive vehicles in the U.K. mid next year.

**Pavel Molchanov**

Okay. Following up on that. You have the charging partnership with Allego in Europe, of course. Do you have interest in a similar kind of relationship with a charging company in the United States?

**Geeta Gupta-Fisker**

Yes. Let me explain a little bit about, Pavel, the charging relationships. First of all, we have a partnership with a group, where all the charging infrastructure will be displayed on the HMI, which is obviously critical in all global markets. Then the second level of integration is to then integrate our web app and our HMI with individual charging station providers, so we are in the process of doing that. Then the third step is making deals with the charging station companies to be able to provide better pricing or plug-and-charge. We're doing all these three, and we obviously, with Allego, have a deeper relationship, and we're doing the same here in the U.S. as well. We are not ready yet to announce those partners, but we will in the coming days and weeks as we integrate those in the HMI app. We also have identified our partner for home charging installation that we are also looking forward to announce in the coming weeks.

**Pavel Molchanov**

Got it. Thanks very much.

**Operator**

Thank you for your question. Our next question comes from Shreyas Patil with Wolfe Research. Please go ahead.

**Shreyas Patil**

Hi. Thanks so much for taking my questions.

I just wanted to follow up first on a question that was brought up earlier. Maybe just to be more specific, your agreement with Magna, how do energy costs factor into that? Obviously, I ask only because we've seen a surge in energy prices across Europe, so is that something that gets passed on to Fisker, or is that responsibility borne by Magna?

**Geeta Gupta-Fisker**

First of all, energy costs for a facility like Magna is their fixed or variable utility cost. The agreement we have with Magna, it's at two levels. The way vehicle contract manufacturing works is, you have a fixed element and you have a variable element. Typically, rent, leasing the space, utilities, etc., they typically fall in the category where they share those costs amongst various different partners, customers, etc, etc.

Now, specifically, what I can talk about in Austria, where there was talk about sort of gas. Now in our case, Magna Steyr uses gas for paint shop. All other areas are now being switched to biodiesel

hydropower. In the case of Magna itself, they are hedging and buying around 85% of their gas for next year. They confirmed that to us, and we've released or releasing that in our Q.

Now, Austrian government is planning to put automotive as a priority, given the number of jobs it has in Austria, and they've also secured 70% of their gas reserve for 2023, so I frankly do not see this as any risk, and it will be disclosed amongst our risk factors when we release the Q.

### **Shreyas Patil**

Okay. That's helpful.

Then, you mentioned quite a few potential initiatives around Project PEAR and potentially even performing joint venture relationships with battery manufacturers. You also mentioned no PEAR-related spending, but Capex spending in 2022. I'm just trying to think about the implications, though, as we think about the ramp-up of PEAR spending, especially in 2023, both on the Opex and Capex side. I guess, maybe, how do we think about the needs for that program, especially if you compare it to what you've already had to spend on the Ocean? Do you see the potential for leverage against the Ocean spending, or are you going to have to actually spend more?

### **Henrik Fisker**

So, this is a great—really great question. I'm happy you asked it, because what we are doing now actually is, we are doing a lot more in-house development on the PEAR than we were able to do with the Ocean because we were scaling up a team and working closely with Magna, of course. By taking that work in house, we have much less capital outlay. We're also moving people already now from the Ocean program over to the PEAR program. Then finally, there's also a lot of commonalities on parts and suppliers between the Ocean and the PEAR, so actually, some of these parts will be fully carried over so we don't have to necessarily do a whole new design for these parts. Then there is the fact that Foxconn have already acquired the facility in Ohio, and we are working closely with them on how to lay out the factory. I do see overall, this program, at least in the initial phase, being much lower capital outlay than the Ocean were initially.

### **Geeta Gupta-Fisker**

Now to answer your specific question on capital needs, so this year, the main investments on PEAR are ED&D, so concept development ED&D. As Burkhard mentioned earlier, we have a lot of engineers, over 300, including engineers we are hiring in India, who are now transitioning over to the PEAR program, and we are starting to do supplier selection in the second half of the year, so come August, September timeframe. Then, as we select suppliers, I expect that at some point next year, we need to start getting into tooling.

However, in the case of PEAR program, we are going to do purchasing this time in a slightly different way, given it's a U.S.-centric program. It's quite common in the U.S. to develop different commodities parts with suppliers, but it's also quite common to bid out tools. It's uncommon to do that in Europe, but quite common in the U.S., so we are looking into those strategies, and that would require clearly investing capital. It's a high-volume program, so I expect that some of the tools are probably more expensive than Ocean.

We are also, as Burkhard mentioned, looking at a virtual—a lot of the hardware will become virtual, so we expect a very efficient BOM. When it comes to EE, we expect very efficient harnesses, low-voltage harnesses. We probably spend a bit more on the computer, battery, we will have to see where we end up. It will probably have a smaller battery than the Ocean, given it's under \$30,000. So, I think it would be

definitely below Ocean, and I think we will get much more capital efficient on the PEAR. But we will have to raise capital when we get into—we will have to 100% raise capital to kick off the tooling with suppliers next year.

**Shreyas Patil**

Okay. That's really helpful. Then lastly, just can you remind us of your service strategy? It's something that you talked about back in 2020, but I believe the strategy is to work with Cox Automotive. Correct me if that's changed. But can you just remind us what the—how many—what kind of KPIs are you targeting in terms of footprint, number of mobile vehicles that could provide service, etc?

**Geeta Gupta-Fisker**

Yes. Great question. So, we divide service into multiple areas. Obviously, collision is by far the biggest and most complicated, as you know. Collision also falls outside warranty that involves insurance. So, we are working on collision partners in all the nine launch markets as we speak, and collision is generally partnered. We will also look at certified third-party collision centers, so we'll release more information on that towards the end of the year.

Then the next area that you look at is roadside. You also—we are looking in Europe, eCall is required by law, so we are also bringing in eCall partners in Europe. We are actually going to offer that here in the U.S. as well, even though it's not required by law. Then, in addition to that, we've named for other minor areas, Bridgestone in the U.S. and certain parts of Europe, and Mekonomen in Scandinavia for certain other areas of service. They all have sort of different types of service, whether it's tire change or certain other minor items that can be repaired. Then, in addition to that, we're looking at specialist areas, where we can do the service ourselves. Then finally, batteries need to be trained in a unique way, and we are developing our own high-voltage training, we're developing—we're working with CATL as well to establish some of these processes and procedures.

**Shreyas Patil**

Okay, great. Thanks.

**Frank Boroach**

Thank you, Operator. That's all the time we have for today's Q&A.

**Operator**

Thank you. I'll now pass it back over to the Management team for any further remarks.

**Henrik Fisker**

Thank you very much, everyone. I thought this was super exciting and a very good earnings call, and we are excited to move on and share news over the next couple of weeks and months as we progress to the start of production with the Fisker Ocean. Thank you very much, everyone.

**Operator**

That concludes the Fisker, Inc. Second Quarter 2022 Earnings Call. Thank you for your participation. You may now disconnect your lines.