



stem

August 6, 2024

Q2 2024 Financial Results



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Non-GAAP measures

In addition to financial measures in accordance with U.S. GAAP, this presentation includes references to non-GAAP financial measures, including adjusted EBITDA, non-GAAP gross profit, and non-GAAP gross margin. We believe these non-GAAP measures provide useful supplemental information regarding certain financial and business trends relating to our financial condition and results of operations. We also believe that these non-GAAP financial measures provide an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial performance with other similar companies, many of which present similar non-GAAP financial measures to investors. These non-GAAP financial measures are in addition to, and should not be considered superior to, or a substitute for, financial results prepared in accordance with GAAP. Non-GAAP financial measures should not be considered in isolation and are subject to significant inherent limitations. The non-GAAP measures presented herein may not be comparable to similar non-GAAP measures presented by other companies. Reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures are included in the Appendix to this presentation.

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Agenda

- Second Quarter 2024 Results
- Business Update
- Guiding Principles
- Technology and Operations Update
- Financial and Operating Results
- Key Takeaways



Second Quarter 2024 Results & Highlights

Driving free cash flow generation and reducing working capital intensity

Q2 Results*

Revenue

\$34M

(63%) YoY

Contracted Annual
Recurring Revenue

\$90M

1% QoQ / +20% YoY

GAAP/Non-GAAP

Gross Margin

28% / 40%

+15 p.p. / +22 p.p. YoY

Bookings

\$25M

(89%) YoY

Adjusted EBITDA

(\$11.3)M

(\$2M) YoY

Operating Cash

Flow

\$(11.9)M

+\$154M YoY

Q2 Highlights



Improving gross margins, cash flow,
and operating leverage



40 MWh Hardware + Software Deployment
with Sulphur Springs Valley Electric Co-op



Activated 300+ MWh of energy storage
projects during 2Q24; ~\$3M of CARR
converted to ARR



~\$80M reduction in net working
capital in 1H

We remain confident in positive operating cash flow in 2024 with no equity issuance

*See Appendix for definitions.

Success and Challenges with Public Power and Large FTM

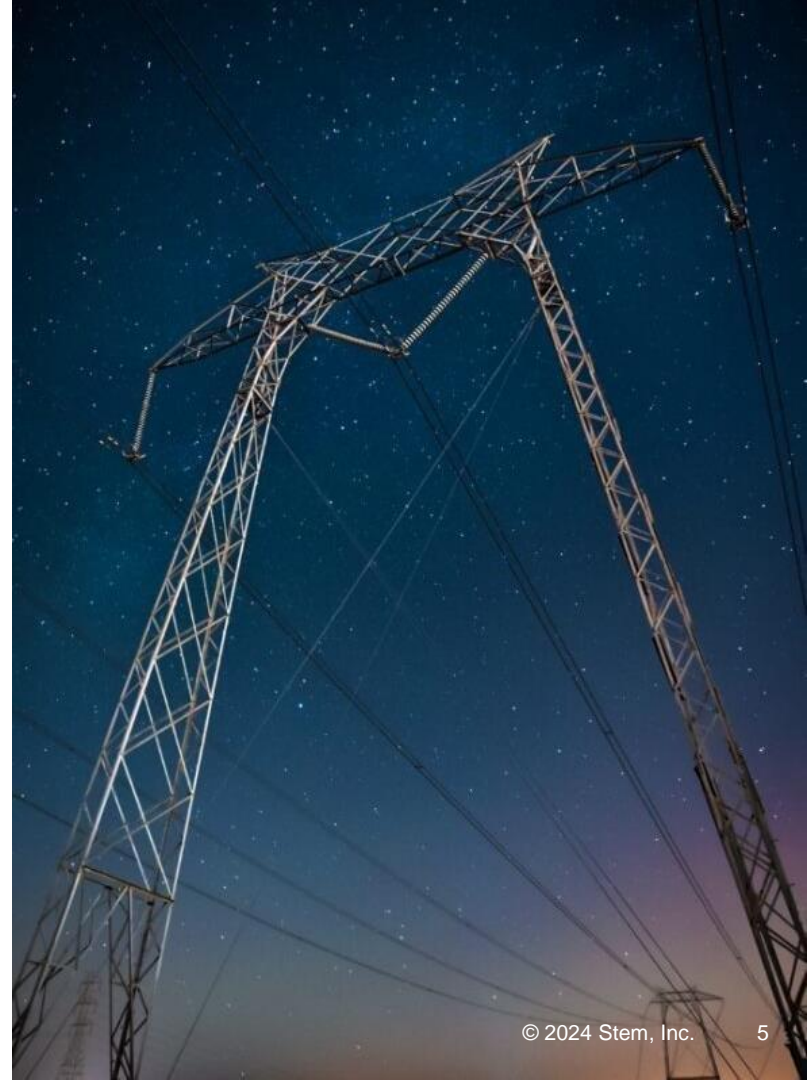
Built 15% market share in fastest growing segment of FTM

Rush by broader industry to access USDA's PACE and New ERA financing vehicles has significantly impacted project timelines

- USDA economics generate compelling returns to project owners
- Impact to Revenue, Bookings, and Operating Cash Flow

Without these delays, 2024 financial results on pace to meet guidance

- None of the projects are lost or canceled
- New projects are entering pipeline and existing pipeline deals are being evaluated for upsizing due to improved economics from USDA financing and lower battery prices



Key Factors Impacting Results and Action Plan

Issue	Action Plan
> \$1B of projects delayed due to USDA financing process, particularly in public power sector	<ul style="list-style-type: none">• Expanded pipeline of opportunities to diversify reliance on individual deals• Engaging with supply chain and EPC partners to align resources once project financing is greenlighted• Operating Expense discipline: aligning headcount to financial trajectory with focus on maximizing Operating Cash generation
Interconnection timelines, especially with larger FTM projects, continue to expand	<ul style="list-style-type: none">• Helping customers to standardize equipment scope and interconnection applications to minimize review hurdles• Dedicated sales team for faster cycle community solar and small FTM• Advancing software-only offerings and shifting additional resources to software business and deeper engagement with high growth verticals• Policy team engaged at State and Federal level on proposals for relief
Delays due to US election and potential tariff threats	<ul style="list-style-type: none">• Executing supply chain commitments and engaged with multiple sources of domestic supply to further diversify options for customers• Advancing utility scale APM offering including energy storage functionality launches across both EU and US markets

2024 Guiding Principles: Continued Progress

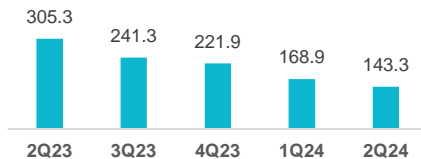
Grow free cash flow by leveraging our software leadership

Focus on Cash Flow Generation

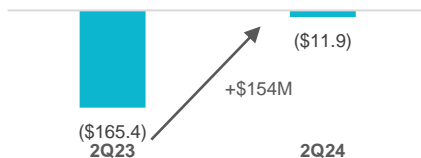
Operating cash flow +\$154M YoY

Steady reduction in working capital intensity (1H reduction of \$79M)

Reduced Net Working Capital



Improved Operating Cash Flow



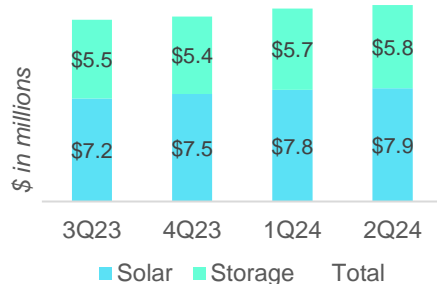
Build Software Services Revenue

CARR-to-ARR conversion remains on track, unlocked ~\$3M of ARR

Solar / storage software revenue +1% / +3% QoQ

>\$40M of CARR left to be unlocked

Steadily Increasing Services Revenue



Extend Technology Leadership Position

PowerTrack™ APM launch on track for 4Q24

Introducing enhanced features and latest product demonstrations of PowerBidder™ Pro, PowerTrack™ APM, and EMS offerings at RE+ 2024 Conference

PowerBidder™ Pro | powered by athena

PowerTrack™ APM | powered by athena

Stem Software Development Progress in Q2 2024

Continued Enhancements to the Leading Energy Asset Performance Optimization Platform

Optimization

Forecast & optimize value streams

PowerBidder Pro

Wholesale market forecasting & bidding optimization



- Value simulation for ESS / hybrid assets (wholesale and retail)
- Dispatch of ESS / hybrid assets in retail tariffs / programs (new revenue streams in CA)

Asset Management

Streamline performance management

PowerTrack APM

Technical Monitoring & Reporting, Remote Cloud Control



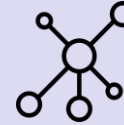
- Operations and event Management
- Financial monitoring and reporting
- ESS warranty management
- Advanced analytics

Control

Control Energy Systems

PowerCore EMS

Site Control, Dispatch Scheduling



- Native controls and data acquisition
- Utility scale power plant controls
- SCADA and networking
- Digital Twin model and analysis of the Modular ESS

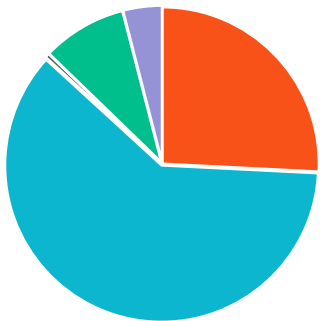
**Serving increasingly complex customer needs with the most complete
AI-first optimization and asset management software**

334 MWh Storage Activated in 2Q24

Driving CARR-to-ARR conversion: unlocked \$1.7M of ARR in 2Q

Storage Deployments Across a Diversity of Markets, Customers, and Use Cases

2Q24 Stem Energy Storage MWh Deployed by State



■ AZ ■ CO ■ IN ■ MA ■ TX

Diversity of Use Cases

- FTM / Energy and Capacity revenue
- FTM / Ancillary Services revenue
- FTM / Public Power Dispatch Signal Integration
- BTM / Demand Response and Demand Charge Management

Expect Continued Strong ARR Growth Through 2H24 and 2025

+334 MWh

of energy storage assets deployed

+\$1.7M ARR

from deployments of energy storage assets

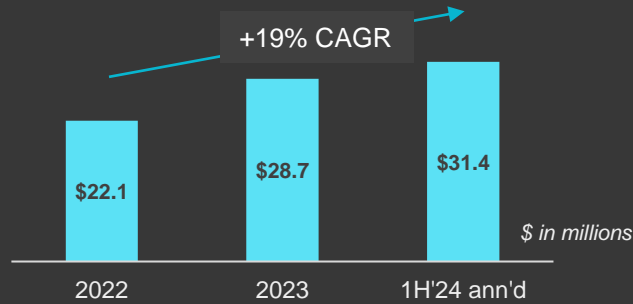


Solar Business Remains Strong

Steady growth continues -> +\$1M of ARR in 2Q 2024

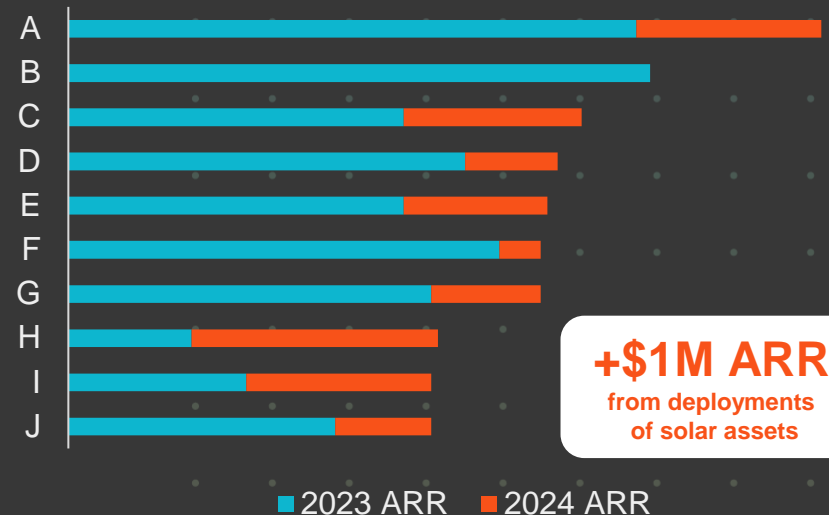


Steady Growth in Solar Software Revenue



- Remain market leader in C&I solar asset management
- High margin, low churn business consistently growing faster than market
- Significant international momentum in EU (large multi-year bookings) and Japan

ARR* Increasing with nearly All Top Customers



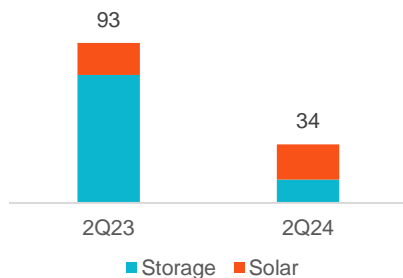
Financial and Operating Results

2Q24 Financial Metrics

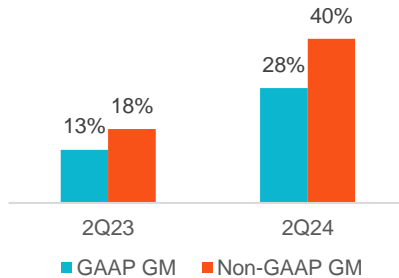
Revenue, GM, Adj. EBITDA, and Operating Cash Flow

\$ millions unless otherwise noted

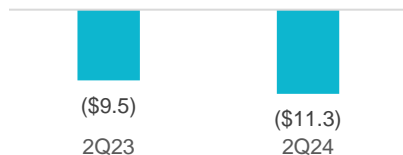
Revenue



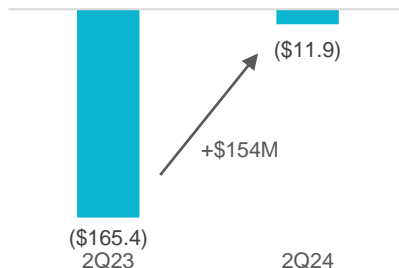
GAAP & Non-GAAP Gross Margin %



Adjusted EBITDA



Operating Cash Flow



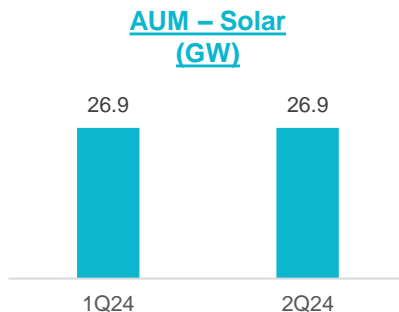
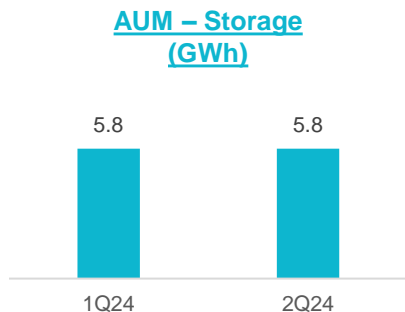
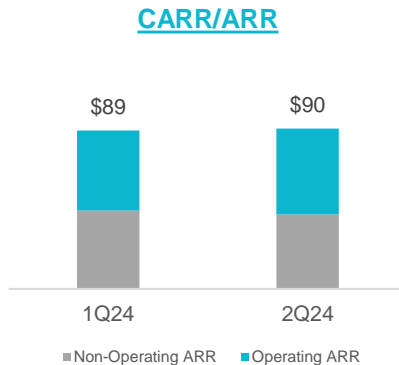
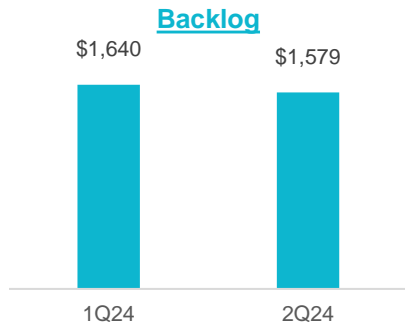
Revenue, Gross Margin, Adj. EBITDA, and Operating Cash Flow

- Consolidated revenue down 63% YoY, however adjusted EBITDA remained relatively flat YoY demonstrating continued operating leverage
- Solar revenue remains strong, up 9% YoY
- GAAP and non-GAAP gross margin up due to increased software revenue and reduced hardware revenue in the quarter
- Operating cash flow up ~\$154M YoY, underscoring continued improvements in working capital management

2Q24 Operating Metrics

CARR, Backlog, and AUM

\$ millions unless otherwise noted



CARR, Backlog, and AUM Growth

- Backlog down QoQ due to low bookings and software activations
- ARR +7% QoQ, driven by storage activations and steady solar growth
- Storage AUM +53% YoY, strong demand, including software-only deals
- Solar AUM +3% YoY, flat QoQ

Revising 2024 Guidance

	2024E:	1Q24A	2Q24A	3Q24E	4Q24E
Revenue	\$200M - \$270M → <i>Prior: \$567M-\$667M</i> 25-30% Non-GAAP Gross Margin <i>Prior: 15-20%</i>	\$25M 24%	\$34M 40%	\$30M-\$50M	\$110M-\$160M
Bookings	2024E: \$0.6B - \$1.1B <i>Prior: \$1.5B-\$2.0B</i>				
Adjusted EBITDA				2024E: (\$30)M - (\$20)M <i>Prior: \$5M-\$20M</i>	
CARR	2024E: \$100M - \$110M <i>Prior: \$115M-\$130M</i>				
Operating Cash Flow				2024E: >\$15M <i>Prior: >\$50M</i>	

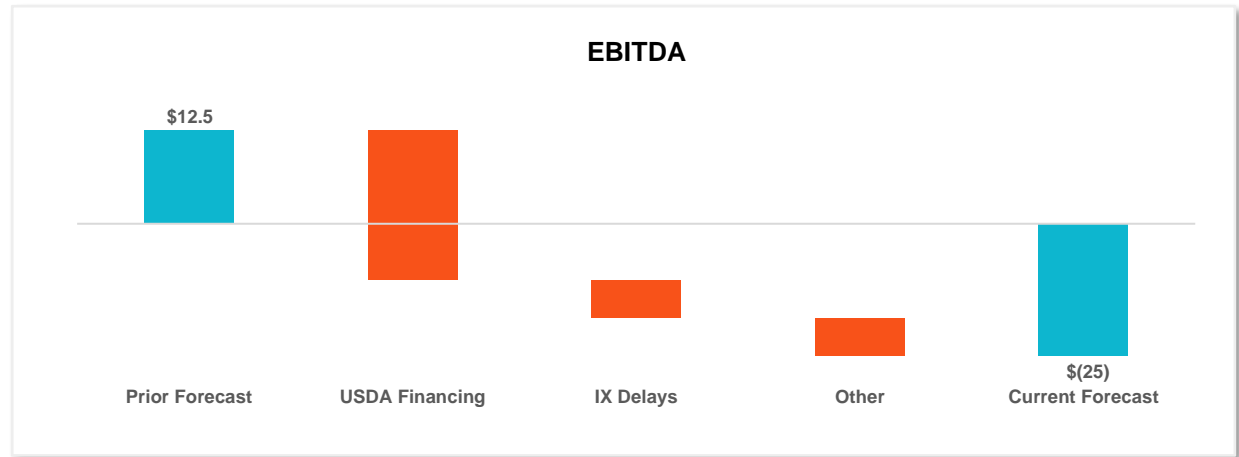
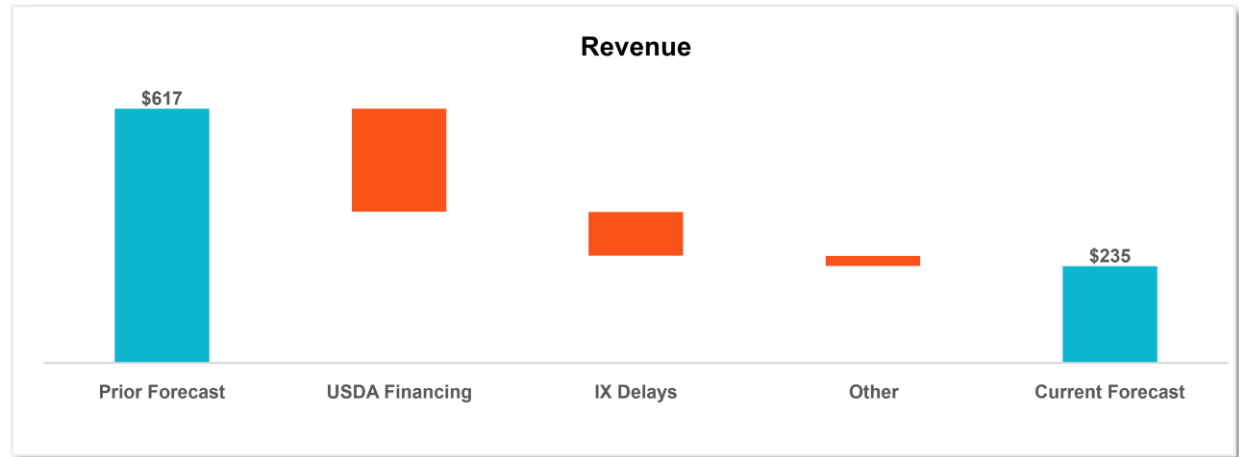
Drivers of 2024 Revenue & Adj. EBITDA Change

Delays in customers' project financing and interconnection (IX) approvals pushed certain projects into 2H 2024 and 2025+

- Projects still contracted and advancing

Continued operating leverage drives confidence in positive operating cash flow generation

- Improved working capital from recent deals in backlog
- Net working capital reduced \$26M QoQ and \$162M YoY



Progress on Controllable vs Uncontrollable Impacts

Underlying business fundamentals are strong

Controllable

- ↑ Software activations
- ↑ Non-GAAP Gross Margin
- ↑ Operating leverage
- ↓ Working capital intensity

Uncontrollable

- ✗ USDA financing – PACE / New ERA
- ✗ Permitting / Interconnection delays
- ✗ Equipment availability
- ✗ Sales cycle delays / Election uncertainty

Positioned to deliver positive Operating Cash Flow in 2024+

Key Takeaways

Positive cash flow generation on track for 2H 2024

- Disappointing quarter offset by strong system activations driving software growth
 - Financing and interconnection delays negatively impacted performance
 - Backlog deals are delayed not canceled
 - Record storage software activations of >300 MWh in the quarter
- Focus on adjusted EBITDA and cash flow generation
 - Adjusted EBITDA relatively flat YoY though revenue was off 63% demonstrating continued operating leverage
 - ARR +7% QoQ, driving strong GAAP and Non-GAAP gross margin
- Expect cash flow positive in 2H24; no need for new equity

Building the leading clean energy intelligence platform

Q&A

About Stem

Stem (NYSE: STEM) is a global leader in AI-driven clean energy solutions and services.

Stem (NYSE: STEM) provides clean energy solutions and services designed to maximize the economic, environmental, and resiliency value of energy assets and portfolios. Stem's leading AI-driven enterprise software platform, Athena® enables organizations to deploy and unlock value from clean energy assets at scale. Powerful applications, including AlsoEnergy's PowerTrack, simplify and optimize asset management and connect an ecosystem of owners, developers, assets, and markets. Stem also offers integrated partner solutions to help improve returns across energy projects, including storage, solar, and EV fleet charging.

For more information, visit www.stem.com

Appendix

Financial and Operating Metrics

\$ millions unless otherwise noted

	Three Months Ended June 30,	
	2024	2023
<i>Key Financial Results</i>		
Revenue	\$34.0	\$93.0
GAAP gross (loss) profit	9.4	11.9
GAAP gross margin %	28%	13%
Non-GAAP gross profit*	13.5	16.4
Non-GAAP gross margin %*	40%	18%
Net Loss	(582.3)	19.1
Adjusted EBITDA*	(11.3)	(9.5)
<i>Operating metrics</i>		
Bookings	25.4	236.4
Contracted Backlog**	1,578.5	1,364.3
Contracted Storage AUM (GWh)**	5.8	3.8
Solar Monitoring AUM (GW)**	26.9	26.0
CARR**	90.1	74.9

Supplemental Revenue Detail

\$ millions unless otherwise noted

	Three Months Ended June 30,	
	2024	2023
Solar Hardware Revenue	\$11.2	\$9.9
Solar Services and Other Revenue	9.2	8.7
Total Solar Revenue	20.4	18.6

\$ millions unless otherwise noted

	Three Months Ended June 30,	
	2024	2023
Solar Software Services Revenue	\$7.9	\$7.2
Storage Software Services Revenue	5.8	7.6
Project Services Revenue	1.4	1.6
Total	\$15.1	\$16.4

Reconciliation of GAAP and Non-GAAP Gross Margin

<i>\$ millions unless otherwise noted</i>	Three Months Ended June 30,	
	2024	2023
Revenue	\$34.0	\$93.0
Cost of revenue	(24.6)	(81.1)
GAAP gross (loss) profit	9.4	11.9
GAAP gross margin (%)	28%	13%
Non-GAAP Gross Profit		
GAAP Revenue	\$34.0	\$93.0
Less: Cost of revenue	(24.6)	(81.1)
Add: Amortization of capitalized software & developed technology	4.0	3.3
Add: Impairments	0.1	1.2
Non-GAAP gross profit	13.5	16.4
Non-GAAP gross margin (%)	40%	18%

Non-GAAP gross margin, as used in the Company's full year 2024 guidance, is a non-GAAP financial measure that excludes or has otherwise been adjusted for items impacting comparability. The Company is unable to reconcile projected non-GAAP gross margin to GAAP gross margin, its most directly comparable forward-looking GAAP financial measure, without unreasonable efforts, because the Company is currently unable to predict with a reasonable degree of certainty its change in amortization of capitalized software, impairments, and other items that may affect GAAP gross margin. The unavailable information could have a significant effect on the Company's full year 2024 GAAP financial results.

Reconciliation of Net Loss to Adjusted EBITDA

\$ thousands unless otherwise noted

	Three Months Ended June 30,	
	2024	2023
Net (loss) income	\$(582,270)	\$19,122
Adjusted to exclude the following:		
Depreciation and amortization ⁽¹⁾	13,651	12,609
Interest expense, net	4,631	3,903
Gain on extinguishment of debt, net	--	(59,121)
Stock-based compensation	6,810	9,920
Change in fair value of derivative liability	(1,477)	2,576
Impairment of goodwill	547,152	--
Provision for income taxes	62	491
Other expenses ⁽²⁾	125	1,021
Adjusted EBITDA	\$(11,316)	\$(9,479)

Adjusted EBITDA, as used in the Company's full year 2024 guidance, is a non-GAAP financial measure that excludes or has otherwise been adjusted for items impacting comparability. The Company is unable to reconcile projected adjusted EBITDA to net income (loss), its most directly comparable forward-looking GAAP financial measure, without unreasonable effort, because the Company is unable to predict with a reasonable degree of certainty its change in stock-based compensation expense, depreciation and amortization expense, revenue constraint and other items that may affect net loss. The unavailable information could have a significant effect on the Company's full year 2024 GAAP financial results.

(1) Depreciation and amortization includes depreciation and amortization expense, impairment loss of energy storage systems, impairment loss of project assets, and impairment loss of right-of-use assets.

(2) Adjusted EBITDA for the six months ended June 30, 2024 reflects other expenses of \$1.7 million. For the six months ended June 30, 2024, other expenses include \$0.6 million of other non-recurring expenses, and \$1.1 million of expenses related to restructuring costs to pursue greater efficiency and to realign our business and strategic priorities. Restructuring expenses consisted of employee severance and other exit costs.

Reconciliation of GAAP Operating Expense to Cash Operating Expense

\$ millions unless otherwise noted

	Three Months Ended June 30,	
	2024	2023
GAAP Operating Expense	\$589.2	\$46.7
Less: Non-cash adjustments		
Depreciation and Amortization	(4.0)	(4.5)
Stock Compensation	(6.8)	(9.9)
Impairment of Goodwill	(547.2)	--
Other adjustments	(1.7)	(1.4)
Cash Operating Expense	\$29.5	\$30.9
Revenue	\$34.0	\$93.0
Cash Operating Expense as % of Revenue	87%	33%

Definitions

Item	Definition
Bookings	<p>Total value of executed customer agreements, as of the end of the relevant period (e.g. quarterly bookings or annual bookings)</p> <ul style="list-style-type: none">• Customer contracts are typically executed 6-24 months ahead of installation• The Booking amount typically includes:<ol style="list-style-type: none">1. Hardware revenue, which is typically recognized at delivery of system to customer,2. Services revenue, which represents total nominal software and services contract value recognized ratably over the contract period,• Market participation revenue is excluded from booking value
Annual Recurring Revenue ("ARR")	Annual run rate for all executed software services contracts excluding contracts for systems that are not yet commissioned
Contracted Annual Recurring Revenue ("CARR")	Annual run rate for all executed software services contracts including contracts signed in the period for systems that are not yet commissioned or operating
Contracted Backlog	<p>Total value of bookings in dollars, as reflected on a specific date</p> <ul style="list-style-type: none">• Backlog increases as new contracts are executed (bookings)• Backlog decreases as integrated storage systems are delivered and recognized as revenue
Contracted Assets Under Management ("AUM")	Total GWh of storage systems in operation or under contract
Solar Monitoring AUM	Total GW of solar systems in operation
Hardware Revenue	<p>Payment for initial purchase of system, which is typically recognized at delivery of system to customer</p> <ul style="list-style-type: none">• Total Hardware Revenues = Total Deliveries (kWh) x Project Hardware ASP (\$/kWh)• ASP / margin based on value added services including hardware selection, project design and interconnection / permitting advisory and warranty design and compliance
Software Revenue	<p>Recurring SaaS payment driven by storage assets under management (AUM)</p> <ul style="list-style-type: none">• Total Software (Recurring) Revenues = Total AUM (kWh) x Software subscription (\$/kWh/month)• SaaS contracts range up to 20 years comprising recurring monthly payments
Market Participation Revenue	<p>Revenues from monetization of energy storage capacity into energy markets and VPPs secured by contracts ranging up to 20 years</p> <ul style="list-style-type: none">• Total Software (Variable) Revenues = Total AUM (kWh) x Stem's Market Participation Revenues (\$/kWh)
Project Services	<ul style="list-style-type: none">• Professional services and revenue tied to Development Company investments
Operating Cash Flow	<ul style="list-style-type: none">• Net cash provided by (used in) operating activities. Does not represent the change in balance sheet cash which will be further impacted by investing and financing activities.
Free Cash Flow	<ul style="list-style-type: none">• Cash flow from operating activities less cash flows from investing activities.



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