

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended **June 30, 2024**
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

STEM, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or Other Jurisdiction
of Incorporation or Organization)

001-39455

(Commission File Number)

85-1972187

(IRS Employer
Identification No.)

4 Embarcadero Ctr., Suite 710, San Francisco, California 94111

(Address of principal executive offices, including zip code)

1-877-374-7836

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

Common Stock, par value \$0.0001

STEM

New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Class	Outstanding as of July 30, 2024
Common Stock, \$0.0001 par value per share	162,626,235

STEM, INC.
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2024

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Part I - Financial Information

ITEM 1. FINANCIAL STATEMENTS

**STEM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

(in thousands, except share and per share amounts)

	<u>June 30, 2024</u>	<u>December 31, 2023</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 89,649	\$ 105,375
Short-term investments	—	8,219
Accounts receivable, net of allowances of \$4,155 and \$4,904 as of June 30, 2024 and December 31, 2023, respectively	206,351	302,848
Inventory	33,213	26,665
Deferred costs with suppliers	20,125	20,555
Other current assets	10,582	9,303
Total current assets	<u>359,920</u>	<u>472,965</u>
Energy storage systems, net	67,518	74,418
Contract origination costs, net	9,921	11,119
Goodwill	—	547,205
Intangible assets, net	152,144	157,146
Operating lease right-of-use assets	11,138	12,255
Other noncurrent assets	90,902	81,869
Total assets	<u>\$ 691,543</u>	<u>\$ 1,356,977</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 63,103	\$ 78,277
Accrued liabilities	63,362	76,873
Accrued payroll	10,719	14,372
Financing obligation, current portion	15,139	14,835
Deferred revenue, current portion	57,974	53,997
Other current liabilities	6,349	12,726
Total current liabilities	<u>216,646</u>	<u>251,080</u>
Deferred revenue, noncurrent	88,944	88,650
Asset retirement obligation	4,122	4,052
Convertible notes, noncurrent	524,771	523,633
Financing obligation, noncurrent	47,366	52,010
Lease liabilities, noncurrent	11,832	10,455
Other liabilities	599	416
Total liabilities	<u>894,280</u>	<u>930,296</u>
Commitments and contingencies (Note 12)		
Stockholders' equity (deficit):		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized as of June 30, 2024 and December 31, 2023; zero shares issued and outstanding as of June 30, 2024 and December 31, 2023	—	—
Common stock, \$0.0001 par value; 500,000,000 shares authorized as of June 30, 2024 and December 31, 2023; 162,587,526 and 155,932,880 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	16	16
Additional paid-in capital	1,223,739	1,198,716
Accumulated other comprehensive income (loss)	94	(42)
Accumulated deficit	(1,427,071)	(772,494)
Total Stem's stockholders' equity (deficit)	<u>(203,222)</u>	<u>426,196</u>
Non-controlling interests	485	485
Total stockholders' equity (deficit)	<u>(202,737)</u>	<u>426,681</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 691,543</u>	<u>\$ 1,356,977</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue				
Services and other revenue	\$ 15,103	\$ 16,360	\$ 29,943	\$ 31,033
Hardware revenue	18,896	76,586	29,525	129,318
Total revenue	33,999	92,946	59,468	160,351
Cost of Revenue				
Cost of services and other revenue	10,955	11,756	20,939	23,260
Cost of hardware revenue	13,669	69,319	53,345	124,226
Total cost of revenue	24,624	81,075	74,284	147,486
Gross profit (loss)	9,375	11,871	(14,816)	12,865
Operating expenses:				
Sales and marketing	10,944	13,680	22,070	26,086
Research and development	15,281	14,156	29,417	27,600
General and administrative	15,846	18,904	34,406	36,701
Impairment of goodwill	547,152	—	547,152	—
Total operating expenses	589,223	46,740	633,045	90,387
Loss from operations	(579,848)	(34,869)	(647,861)	(77,522)
Other (expense) income, net:				
Interest expense, net	(4,631)	(3,903)	(9,338)	(5,680)
Gain on extinguishment of debt, net	—	59,121	—	59,121
Change in fair value of derivative liability	1,477	(2,576)	1,477	(2,576)
Other income, net	794	1,840	1,360	1,401
Total other (expense) income, net	(2,360)	54,482	(6,501)	52,266
(Loss) income before provision for income taxes	(582,208)	19,613	(654,362)	(25,256)
Provision for income taxes	(62)	(491)	(215)	(400)
Net (loss) income	\$ (582,270)	\$ 19,122	\$ (654,577)	\$ (25,656)
Net (loss) income per share attributable to common stockholders, basic				
	\$ (3.59)	\$ 0.12	\$ (4.09)	\$ (0.17)
Net loss per share attributable to common stockholders, diluted				
	\$ (3.59)	\$ (0.26)	\$ (4.09)	\$ (0.17)
Numerator used to compute net (loss) income per share:				
Net (loss) income attributable to Stem common stockholders, basic	\$ (582,270)	\$ 19,122	\$ (654,577)	\$ (25,656)
Net loss attributable to Stem common stockholders, diluted (Note 10)	\$ (582,270)	\$ (40,011)	\$ (654,577)	\$ (25,656)
Weighted-average shares used in computing net (loss) income per share to common stockholders, basic				
	162,158,936	155,619,179	160,169,536	155,294,475
Weighted-average shares used in computing net loss per share to common stockholders, diluted				
	162,158,936	155,804,953	160,169,536	155,294,475

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
(UNAUDITED)
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net (loss) income	\$ (582,270)	\$ 19,122	\$ (654,577)	\$ (25,656)
Other comprehensive loss:				
Unrealized gain on available-for-sale securities	—	47	3	1,590
Foreign currency translation adjustment	(60)	(133)	133	(6)
Total other comprehensive (loss) income	<u>\$ (582,330)</u>	<u>\$ 19,036</u>	<u>\$ (654,441)</u>	<u>\$ (24,072)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(UNAUDITED)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity (Deficit)
	Shares	Amount					
Balance as of January 1, 2024	155,932,880	\$ 16	\$ 1,198,716	\$ (42)	\$ (772,494)	\$ 485	\$ 426,681
Issuance of common stock upon release of restricted stock units	2,632,464	—	—	—	—	—	—
Issuance of fully vested restricted stock units for employee bonuses (Note 9)	2,961,438	—	8,114	—	—	—	8,114
Stock-based compensation	—	—	9,367	—	—	—	9,367
Unrealized gain on available-for-sale securities	—	—	—	3	—	—	3
Foreign currency translation adjustments	—	—	—	193	—	—	193
Net loss	—	—	—	—	(72,307)	—	(72,307)
Balance as of March 31, 2024	161,526,782	16	1,216,197	154	(844,801)	485	372,051
Issuance of common stock upon release of restricted stock units	1,060,744	—	—	—	—	—	—
Stock-based compensation	—	—	7,542	—	—	—	7,542
Foreign currency translation adjustments	—	—	—	(60)	—	—	(60)
Net loss	—	—	—	—	(582,270)	—	(582,270)
Balance as of June 30, 2024	162,587,526	\$ 16	\$ 1,223,739	\$ 94	\$ (1,427,071)	\$ 485	\$ (202,737)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 1, 2023	154,540,197	\$ 15	\$ 1,185,364	\$ (1,672)	\$ (632,081)	\$ 541	\$ 552,167
Stock option exercises, net of statutory tax withholdings	65,045	—	149	—	—	—	149
Issuance of common stock upon release of restricted stock units	903,061	1	—	—	—	—	1
Stock-based compensation	—	—	8,108	—	—	—	8,108
Unrealized gain on available-for-sale securities	—	—	—	1,543	—	—	1,543
Foreign currency translation adjustments	—	—	—	127	—	—	127
Redemption of non-controlling interests	—	—	—	—	—	(72)	(72)
Net loss	—	—	—	—	(44,778)	—	(44,778)
Balance as of March 31, 2023	155,508,303	16	1,193,621	(2)	(676,859)	469	517,245
Stock option exercises, net of statutory tax withholdings	39,528	—	80	—	—	—	80
Issuance of common stock upon release of restricted stock units	248,580	—	—	—	—	—	—
Stock-based compensation	—	—	10,817	—	—	—	10,817
Purchase of capped call options (Note 8)	—	—	(27,840)	—	—	—	(27,840)
Unrealized gain on available-for-sale securities	—	—	—	47	—	—	47
Foreign currency translation adjustments	—	—	—	(133)	—	—	(133)
Contributions from non-controlling interests	—	—	—	—	—	6	6
Net income	—	—	—	—	19,122	—	19,122
June 30, 2023	155,796,411	\$ 16	\$ 1,176,678	\$ (88)	\$ (657,737)	\$ 475	\$ 519,344

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2024	2023
OPERATING ACTIVITIES		
Net loss	\$ (654,577)	\$ (25,6
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	22,217	22,3
Non-cash interest expense, including interest expenses associated with debt issuance costs	984	1,5
Stock-based compensation	15,184	17,1
Change in fair value of derivative liability	(1,477)	2,5
Non-cash lease expense	1,533	1,4
Accretion of asset retirement obligations	118	1
Impairment loss of energy storage systems	102	2,0
Impairment loss of project assets	390	1
Impairment loss of right-of-use assets	2,096	
Impairment of goodwill	547,152	
Net accretion of discount on investments	(29)	(1,3
Income tax benefit from release of valuation allowance	—	(3
Provision for accounts receivable allowance	(1,462)	1,7
Net loss on investments	—	1,5
Gain on extinguishment of debt, net	—	(59,1
Other	(138)	(6
Changes in operating assets and liabilities:		
Accounts receivable	97,815	(72,1
Inventory	(6,548)	(137,1
Deferred costs with suppliers	430	28,7
Other assets	719	(17,8
Contract origination costs, net	(683)	(2,2
Project assets	(10,796)	(2,8
Accounts payable	(14,923)	19,0
Accrued expenses and other liabilities	(13,339)	(35,0
Deferred revenue	4,270	56,0
Lease liabilities	(1,545)	(1,3
Net cash used in operating activities	(12,507)	(201,2
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	—	(1,8
Purchase of available-for-sale investments	—	(58,0
Proceeds from maturities of available-for-sale investments	8,250	84,7
Proceeds from sales of available-for-sale investments	—	73,9
Purchase of energy storage systems	—	(2,6
Capital expenditures on internally-developed software	(6,608)	(7,3
Purchase of property and equipment	(177)	(2
Net cash provided by investing activities	1,465	88,4
FINANCING ACTIVITIES		
Proceeds from exercise of stock options and warrants	—	2
Repayment of financing obligations	(4,185)	(2,5
Proceeds from issuance of convertible notes, net of issuance costs of \$0 and \$7,601 for the six months ended June 30, 2024 and 2023, respectively	—	232,3
Repayment of convertible notes	—	(99,7
Purchase of capped call options	—	(27,8
Redemption of investment from non-controlling interests, net	—	(
Repayment of notes payable	—	(2,1
Net cash (used in) provided by financing activities	(4,185)	100,2
Effect of exchange rate changes on cash, cash equivalents and restricted cash	187	
Net increase in cash, cash equivalents and restricted cash	(15,040)	(12,4
Cash, cash equivalents and restricted cash, beginning of year	106,475	87,9
Cash, cash equivalents and restricted cash, end of period	\$ 91,435	\$ 75,4

The accompanying notes are an integral part of these condensed consolidated financial statements.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$	8,408	\$	2,588
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Change in asset retirement costs and asset retirement obligation	\$	48	\$	302
Purchases of energy storage systems in accounts payable	\$	251	\$	388
Right-of-use asset obtained in exchange for lease liability	\$	2,513	\$	2,782
Stock-based compensation capitalized to internal-use software	\$	1,736	\$	1,803

RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH WITHIN THE UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS TO THE AMOUNTS SHOWN IN THE STATEMENTS OF CASH FLOWS ABOVE:

Cash and cash equivalents	\$	89,649	\$	75,405
Restricted cash included in other noncurrent assets		1,786		—
Total cash, cash equivalents, and restricted cash	\$	91,435	\$	75,405

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**1. BUSINESS****Description of the Business**

Stem, Inc. (“Stem,” the “Company,” “we,” “us,” or “our”) is a global leader in artificial intelligence (“AI”)-driven clean energy solutions and services. We maintain one of the world’s largest digitally connected, intelligent, renewable energy networks, providing customers with (i) energy storage hardware, sourced from leading, global battery original equipment manufacturers (“OEMs”), that we deliver through our partners, including developers, distributors and engineering, procurement and construction (“EPC”) firms, (ii) edge hardware to aid in the collection of site data and the real-time operation and control of the site plus other optional equipment, and (iii) an ongoing software platform, Athena®, and services to operate and manage the performance of standalone energy storage, integrated solar plus storage systems, and solar assets. In addition, in all of the markets where we help manage our customers’ clean energy assets, we have agreements to use the Athena platform to participate in such markets and to share the revenue from such market participation.

We deliver our battery hardware and software-enabled services to customers through our Athena platform. The Company’s hardware and recurring software-enabled services mitigate customer energy costs through services such as time-of-use and demand charge management optimization and by aggregating the dispatch of energy through a network of virtual power plants. The network created by the Company’s growing customer base increases grid resilience and reliability through the real-time processing of market-based demand signals, energy prices, and other factors in connection with the deployment of renewable energy resources to such customers. Additionally, the Company’s clean energy solutions are designed to support renewable energy generation by helping to alleviate grid intermittency issues, thereby reducing customer dependence on traditional, fossil fuel resources.

The Company’s Athena PowerTrack application provides a vertically integrated solution that incorporates on-site power monitoring equipment that aggregates and communicates data to enable remote control of solar generation assets. PowerTrack provides direct access to individual site performance to measure and benchmark expected energy production, maximizing asset value for the Company’s customers.

From time to time, the Company, through an indirect wholly-owned development subsidiary (“DevCo”) will enter into strategic joint ventures (each a “DevCo JV”) with qualified third parties for the development of select renewable energy projects (“DevCo Projects”). In this structure, DevCo forms a new DevCo JV entity as the majority owner, with the developer as the minority owner. The purpose of the DevCo JV is to develop and sell DevCo Projects and secure Company hardware and software services for those projects. In some cases, the Company will make development capital contributions to fund project development, and recovers those capital contributions plus a fee upon the sale of the applicable project. This business model is intended to allow the Company to advance development capital to key partners in strategic markets and secure hardware upfront, in order to generate higher-margin software and services and other revenue via exclusive long-term services contracts under the DevCo Projects.

The Company operated as Rollins Road Acquisition Company (f/k/a Stem, Inc.) prior to the Merger with Star Peak Transition Corp. (“STPK”), an entity that was then listed on the New York Stock Exchange under the trade symbol “STPK,” and STPK Merger Sub Corp., a Delaware corporation and wholly-owned subsidiary of STPK (“Merger Sub”), providing for, among other things, and subject to the conditions therein, the combination of the Company and STPK pursuant to the merger of Merger Sub with and into the Company, with the Company continuing as the surviving entity (the “Merger”). Stem, Inc. was incorporated on March 16, 2009 in the State of Delaware and is headquartered in San Francisco, California.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**Liquidity**

As of June 30, 2024, we had cash and cash equivalents of \$89.6 million, an accumulated deficit of \$1,427.1 million, net accounts receivable of \$206.4 million, and working capital, which we define as current assets less current liabilities, of \$143.3 million. During the six months ended June 30, 2024, we incurred a net loss of \$654.6 million and had negative cash flows from operating activities of \$12.5 million. As of June 30, 2024, our principal sources of liquidity were cash and cash equivalents totaling \$89.6 million, which were held for working capital purposes and for investment growth opportunities. As of June 30, 2024, we believe that our cash position, as well as expected collections from accounts receivable, is sufficient to meet capital and liquidity requirements for at least the next 12 months from the date of this Quarterly Report on Form 10-Q.

Our business prospects are subject to various risks, expenses, and uncertainties, including those discussed in Part I. Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. The attainment of profitable operations is dependent upon future events, including securing new customers and maintaining current ones, securing and maintaining adequate supplier relationships, building our customer base, successfully executing our business and marketing strategy, and hiring and retaining appropriate personnel. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results and financial condition.

Supply Chain Constraints and Risk

We have in the past faced shortages and shipping delays affecting the supply of inverters, enclosures, battery modules and associated component parts for inverters and battery energy storage systems available for purchase. These shortages and delays were due in part to the macroeconomic, geopolitical and business environment, including the effects of global inflationary pressures and interest rates, general economic slowdown or a recession, changes in monetary policy, instability in financial institutions, potential import tariffs, geopolitical pressures, including the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas, as well as tensions between China and the United States and unknown effects of current and future trade regulations. We cannot predict the full effects the macroeconomic, geopolitical and business environment will have on our business, cash flows, liquidity, financial condition and results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X, assuming the Company will continue as a going concern. Accordingly, the consolidated balance sheet at December 31, 2023 has been derived from the audited financial statements at that date, but certain notes or other information that are normally required by GAAP have been omitted if they substantially duplicate the disclosures contained in the Company's annual audited consolidated financial statements. In the opinion of the Company's management, all normal and recurring adjustments considered necessary for a fair statement of the results for the interim period presented have been included in the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2023. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or for any other future interim period or year.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and consolidated variable interest entities ("VIEs"). The Company presents non-controlling interests within the equity section of its unaudited condensed consolidated balance sheets, and the amount of consolidated net (loss) income that is attributable to the Company and the non-controlling interest in its unaudited condensed consolidated statements of operations. All intercompany balances and transactions have been eliminated in consolidation.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Variable Interest Entities

The Company forms special purpose entities (“SPEs”), some of which are VIEs, with its investors in the ordinary course of business to facilitate the funding and monetization of its energy storage systems. A legal entity is considered a VIE if it has either a total equity investment that is insufficient to finance its operations without additional subordinated financial support or whose equity holders lack the characteristics of a controlling financial interest. The Company’s variable interests arise from contractual, ownership, or other monetary interests in the entity. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests.

The Company consolidates a VIE if it is deemed to be the primary beneficiary. The Company determines it is the primary beneficiary if it has the power to direct the activities that most significantly impact the VIEs’ economic performance and has the obligation to absorb losses or has the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company evaluates its relationships with its VIEs on an ongoing basis to determine whether it is the primary beneficiary.

Beginning in January 2022, the Company formed DevCo JVs with the purpose of originating potential battery storage facility projects in specific locations and conducting early-stage planning and development activities. The Company determined that the DevCo JVs are VIEs, as they lack sufficient equity to finance their activities without additional financial support. The Company determined that it has both (1) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance, and (2) the obligation to absorb losses or receive benefits from the VIE that could potentially be significant. Accordingly, the Company has determined that it is the primary beneficiary of the DevCo JVs, and as a result, the DevCo JVs’ operating results, assets and liabilities are consolidated by the Company, with third party minority owners’ share presented as noncontrolling interest. The Company applied the hypothetical liquidation at book value method in allocating recorded net income (loss) to each owner based on the change in the reporting period, of the amount of net assets of the entity to which each owner would be entitled to under the governing contracts in a liquidation scenario.

The following table summarizes the carrying values of the assets and liabilities of the DevCo JVs that are consolidated by the Company as of June 30, 2024 and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 332	\$ 2,191
Other current assets	13	30
Other noncurrent assets	18,831	8,424
Total assets	<u>19,176</u>	<u>10,645</u>
Liabilities		
Accounts payable	12,108	1,405
Other current liabilities	180	1,892
Total liabilities	<u>\$ 12,288</u>	<u>\$ 3,297</u>

The Company did not make any material capital investment contributions during the six months ended June 30, 2024. For the six months ended June 30, 2023, the Company contributed approximately \$0.1 million in capital investments for hardware purchases. The net income from the DevCo JVs was immaterial during both the six months ended June 30, 2024 and June 30, 2023.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

Significant estimates and assumptions reflected in these unaudited condensed consolidated financial statements include, but are not limited to, depreciable life of energy storage systems; estimates of transaction price with variable consideration; the amortization of acquired intangibles; the amortization of financing obligations; deferred commissions and contract fulfillment costs; the valuation of energy storage systems, finite-lived intangible assets, internally developed software, and asset retirement

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obligations; and the fair value of equity instruments, equity-based instruments, derivative liability, accruals related to sales tax liabilities, and the fair value of assets acquired and liabilities assumed in a business combination; and the impairment of goodwill.

Segment Information

Operating segments are defined as components of an entity for which discrete financial information is available that is regularly reviewed by the Chief Operating Decision Maker (“CODM”) in deciding how to allocate resources to an individual segment and in assessing performance. The Company’s Chief Executive Officer is the CODM. The CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. As such, management has determined that the Company operates as one operating segment that is focused exclusively on innovative technology services that transform the way energy is distributed and consumed. Net assets outside of the U.S. were less than 10% of total net assets as of June 30, 2024 and December 31, 2023.

Concentration of Credit Risk and Other Uncertainties

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company’s cash balances are primarily invested in money market funds or on deposit at high credit quality financial institutions in the U.S. The Company’s cash and cash equivalents are held at financial institutions where account balances may at times exceed federally insured limits. Management believes the Company is not exposed to significant credit risk due to the financial strength of the depository institution in which the cash is held. The Company has no financial instruments with off-balance sheet risk of loss.

At times, the Company may be subject to a concentration of credit risk in relation to certain customers due to the purchase of large energy storage systems made by such customers. The Company routinely assesses the creditworthiness of its customers. The Company has not experienced material losses related to receivables from individual customers, or groups of customers during the six months ended June 30, 2024 and 2023. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for credit losses is believed by management to be probable in the Company’s accounts receivable.

The net book value of unbilled receivables, current are \$98.9 million and \$161.3 million as of June 30, 2024 and December 31, 2023, respectively. Unbilled receivables, current are included in accounts receivable, net. The net book value of unbilled receivables, noncurrent are \$15.9 million and \$18.7 million as of June 30, 2024 and December 31, 2023, respectively. Unbilled receivables, noncurrent are included in other noncurrent assets.

Significant Customers

A significant customer represents 10% or more of the Company’s total revenue or accounts receivable, net balance at each reporting date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable are as follows:

	Accounts Receivable		Revenue		Revenue	
	June 30,	December 31,	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Customers:						
Customer A	48 %	41 %	*	61 %	*	35 %
Customer B	17 %	28 %	*	*	*	26 %
Customer C	*	*	*	*	11 %	*
Customer D	11 %	*	*	*	*	*

*Total less than 10% for the period.

There are inherent risks whenever a large percentage of total revenue is concentrated in a limited number of customers. Should a significant customer terminate or fail to renew its contracts with us, in whole or in part, for any reason, or experience significant financial or operating difficulties, it could have a material adverse effect on our financial condition and results of operations. In general, a customer that makes up a significant portion of revenues in one period, may not make up a significant portion in subsequent periods.

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Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the unaudited condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities).

Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 — Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The Company's assessment of the significance of a specific input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

Financial assets and liabilities held by the Company measured at fair value on a recurring basis as of June 30, 2024 and December 31, 2023 include cash and cash equivalents, short-term investments, derivative liability, and convertible notes.

3. REVENUE

Disaggregation of Revenue

The following table provides information on the disaggregation of revenue as recorded in the unaudited condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Hardware revenue	\$ 18,896	\$ 76,586	\$ 29,525	\$ 129,318
Services and other revenue	15,103	16,360	29,943	31,033
Total revenue	<u>\$ 33,999</u>	<u>\$ 92,946</u>	<u>\$ 59,468</u>	<u>\$ 160,351</u>

The following table summarizes reportable revenue by geographic regions determined based on the location of the customers (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
United States	\$ 32,642	\$ 89,636	\$ 56,936	\$ 150,208
Rest of the world	1,357	3,310	2,532	10,143
Total revenue	<u>\$ 33,999</u>	<u>\$ 92,946</u>	<u>\$ 59,468</u>	<u>\$ 160,351</u>

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Remaining Performance Obligations

Remaining performance obligations represent contracted revenue that has not been recognized, which include contract liabilities (deferred revenue) and amounts that will be billed and recognized as revenue in future periods. As of June 30, 2024 and June 30, 2023, the Company had \$422.9 million and \$767.0 million of remaining performance obligations, respectively, and the approximate percentages expected to be recognized as revenue in the future are as follows (in thousands, except percentages):

	June 30, 2024			
	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue		
		Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	\$ 339,957	15 %	47 %	38 %
Hardware revenue	82,942	100 %	— %	— %
Total revenue	\$ 422,899			

	June 30, 2023			
	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue		
		Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	\$ 407,026	12 %	44 %	44 %
Hardware revenue	360,003	100 %	— %	— %
Total revenue	\$ 767,029			

Contract Balances

Deferred revenue primarily includes cash received in advance of revenue recognition related to energy optimization services and incentives. The following table presents the changes in the deferred revenue balance during the six months ended June 30, 2024 and June 30, 2023 (in thousands):

	Six Months Ended June 30,	
	2024	2023
Beginning balance	\$ 142,647	\$ 138,074
Upfront payments received from customers	34,201	117,356
Upfront or annual incentive payments received	1,340	1,614
Revenue recognized related to amounts that were included in beginning balance of deferred revenue	(22,685)	(18,820)
Revenue recognized related to deferred revenue generated during the period	(8,585)	(44,107)
Ending balance	\$ 146,918	\$ 194,117

Parent Company Guarantees

Prior to July 2023, the Company agreed in certain customer contracts to provide a guarantee that the value of purchased hardware will not decline for a certain period of time. Under this guarantee, if these customers were unable to install or designate the hardware to a specified project within such period of time, the Company would be required to assist the customer in re-marketing the hardware for resale by the customer. If a resale does not occur, the hardware will be appraised utilizing a third party. The guarantee provided that, in such cases, if the customer resold the hardware for less than the amount initially sold to the customer or the appraisal value is less than the hardware purchase price, the Company would be required to compensate the customer for any shortfall in fair value for the hardware from the initial contract price. The Company accounts for such contractual terms and guarantees as variable consideration at each measurement date. The Company updates its estimate of variable consideration each quarter, including changes in estimates related to such guarantees, for facts or circumstances that have changed from the time of the initial estimate. As a result, the Company recorded a net revenue reduction of \$33.1 million in hardware revenue during the six months ended June 30, 2024. The overall reduction in revenue was related to deliveries that occurred prior to the current fiscal year. The remaining net book value of the billed and unbilled receivable as of June 30, 2024 is \$108.1 million which could be subject to further adjustments under the outstanding guarantees.

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4. SHORT-TERM INVESTMENTS

The Company did not have short-term investments as of June 30, 2024. The following tables summarize the estimated fair value of the Company's short-term investments and the gross unrealized holding gains and losses as of December 31, 2023 (in thousands).

	As of December 31, 2023			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Commercial paper	\$ 1,978	\$ —	\$ —	\$ 1,978
U.S. government bonds	2,744	—	(3)	2,741
Agency bonds	3,503	—	(3)	3,500
Total short-term investments	<u>\$ 8,225</u>	<u>\$ —</u>	<u>\$ (6)</u>	<u>\$ 8,219</u>

The Company periodically reviews the individual securities that have unrealized losses on a regular basis to evaluate whether or not any security has experienced, or is expected to experience, credit losses resulting in the decline in fair value. The Company evaluates, among other factors, whether the Company intends to sell any of these short-term investments and whether it is more likely than not that the Company will be required to sell any of them before recovery of the amortized cost basis. During the six months ended June 30, 2024, the Company did not record an allowance for credit losses.

5. FAIR VALUE MEASUREMENTS

Fair value accounting is applied for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. On June 30, 2024 and December 31, 2023, the carrying amount of accounts receivable, other current assets, accounts payable, and accrued and other current liabilities approximated their estimated fair value due to their relatively short maturities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table provides the financial instruments measured at fair value (in thousands):

	June 30, 2024			Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents:				
Money market fund	\$ 46,060	\$ —	\$ —	\$ 46,060
Total financial assets	<u>\$ 46,060</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 46,060</u>

	December 31, 2023			Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Cash equivalents:				
Money market fund	\$ 47,297	\$ —	\$ —	\$ 47,297
Commercial paper	—	3,971	—	3,971
Debt securities:				
Commercial paper	—	1,978	—	1,978
U.S. government bonds	—	2,741	—	2,741
Other	—	3,500	—	3,500
Total financial assets	<u>\$ 47,297</u>	<u>\$ 12,190</u>	<u>\$ —</u>	<u>\$ 59,487</u>
Liabilities:				
Derivative liability	\$ —	\$ —	\$ 7,731	\$ 7,731

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The Company's money market funds are classified as Level 1 because they are valued using quoted market prices. The Company's short-term investments consist of available-for-sale securities and are classified as Level 2 because their value is based on valuations using significant inputs derived from or corroborated by observable market data. As of December 31, 2023, the Company's other current liabilities included a derivative liability that was attributable to a derivative feature within a revenue contract, whereby final settlement was indexed to the price per ton of lithium carbonate. The balance was valued using a third party forecast for lithium carbonate. As the derivative instrument was not traded on an exchange it was classified within Level 3 of the fair value hierarchy. During the six months ended June 30, 2024, the derivative liability was settled resulting in a gain of \$1.5 million.

Fair Value of Convertible Promissory Notes

The convertible notes are recorded at face value less unamortized debt issuance costs (see Note 8 — *Convertible Notes* for additional details) on the unaudited condensed consolidated balance sheets as of June 30, 2024. As of June 30, 2024 and December 31, 2023, the estimated fair value of the 2028 Convertible Notes was \$120.1 million and \$149.1 million, respectively, based on Level 2 quoted bid prices of the convertible notes in an over-the-counter market on the last trading date of the reporting period. As of June 30, 2024 and December 31, 2023, the estimated fair value of the 2030 Convertible Notes was \$101.1 million and \$175.8 million, respectively, based on Level 2 quoted bid prices of the convertible notes in an over-the-counter market on the last trading date of the reporting period.

6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

Goodwill consists of the following (in thousands):

	<u>June 30,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Goodwill	\$ 547,158	\$ 547,158
Effect of foreign currency translation	(6)	47
Impairment charges	(547,152)	—
Total goodwill	<u>\$ —</u>	<u>\$ 547,205</u>

Goodwill is tested for impairment annually, or more often if an event or circumstance indicates that the carrying amount may not be recoverable. In connection with the preparation of the unaudited condensed consolidated financial statements for the three months ended June 30, 2024, the Company considered the sustained decline in the Company's stock price, market capitalization, and financial performance to be a triggering event for its single reporting unit and therefore completed a test for impairment of goodwill for the reporting unit as of June 30, 2024. The Company tested goodwill for impairment using a Step 1 quantitative test and compared the reporting unit's fair value to its carrying value. An impairment is recorded for any excess carrying value above the reporting unit's fair value, not to exceed the amount of goodwill. The Company estimates fair value of its reporting units using a discounted cash flow model, commonly referred to as the income approach. The income approach uses a reporting unit's projection of estimated operating results and cash flows that is discounted using a weighted-average cost of capital that reflects current market conditions appropriate to the Company's reporting unit. The discounted cash flow model uses management's best estimates of economic and market conditions over the projected period using the best information available, including growth rates in revenues, costs and estimates of future expected changes in operating margins and cash expenditures. Other estimates and assumptions include terminal value growth rates, weighted average cost of capital and changes in future working capital requirements. The impairment test resulted in an impairment of \$547.2 million.

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Intangible Assets, Net

Intangible assets, net, consists of the following (in thousands):

	June 30, 2024	December 31, 2023
Developed technology	\$ 32,618	\$ 32,618
Trade name	11,300	11,300
Customer relationships	106,800	106,800
Internally developed software	75,627	67,282
Intangible assets	226,345	218,000
Less: Accumulated amortization	(74,199)	(60,868)
Add: Currency translation adjustment	(2)	14
Total intangible assets, net	<u>\$ 152,144</u>	<u>\$ 157,146</u>

Amortization expense for intangible assets was \$6.7 million and \$6.8 million for the three months ended June 30, 2024 and 2023, respectively, and \$13.3 million and \$13.3 million for the six months ended June 30, 2024 and 2023, respectively.

7. ENERGY STORAGE SYSTEMS, NET

Energy Storage Systems, Net

Energy storage systems, net, consists of the following (in thousands):

	June 30, 2024	December 31, 2023
Energy storage systems placed into service	\$ 138,768	\$ 141,181
Less: accumulated depreciation	(75,122)	(70,918)
Energy storage systems not yet placed into service	3,872	4,155
Total energy storage systems, net	<u>\$ 67,518</u>	<u>\$ 74,418</u>

Depreciation expense for energy storage systems was approximately \$3.5 million and \$3.6 million for the three months ended June 30, 2024 and 2023, respectively, and approximately \$6.5 million and \$7.2 million for the six months ended June 30, 2024 and 2023, respectively. Depreciation expense is recognized in cost of services and other revenue.

Impairment expense for energy storage systems was approximately \$0.1 million and \$1.2 million for the three months ended June 30, 2024 and 2023, respectively, and approximately \$0.1 million and \$2.1 million for the six months ended June 30, 2024 and 2023, respectively. Impairment expense is recognized in cost of services and other revenue.

8. CONVERTIBLE NOTES

2028 Convertible Notes and 2028 Capped Call Options

2028 Convertible Notes

On November 22, 2021, the Company issued \$460.0 million aggregate principal amount of its 2028 Convertible Notes in a private placement offering to qualified institutional buyers (the "2021 Initial Purchasers") pursuant to Rule 144A under the Securities Act of 1933, as amended.

The 2028 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 0.5% per year, payable in cash semi-annually in arrears in June and December of each year, beginning in June 2022. The 2028 Convertible Notes will mature on December 1, 2028, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, the Company may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock. The 2028 Convertible Notes are redeemable for cash at the Company's option at any time given certain conditions (as discussed below), at an initial conversion rate of 34.1965 shares of common stock per \$1,000 principal amount of 2028 Convertible Notes, which is equivalent to an initial conversion price of

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approximately \$29.24 (the “2028 Conversion Price”) per share of the Company’s common stock. The conversion rate is subject to customary adjustments for certain events as described in the related indenture.

The Company may redeem for cash all or any portion of the 2028 Convertible Notes, at the Company’s option, on or after December 5, 2025 if the last reported sale price of the Company’s common stock has been at least 130% of the 2028 Conversion Price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2028 Convertible Notes to be redeemed, plus accrued and unpaid interest.

The Company’s net proceeds from this offering were approximately \$445.7 million, after deducting the 2021 Initial Purchasers’ discounts and debt issuance costs. To minimize the effect of potential dilution to the Company’s common stockholders upon conversion of the 2028 Convertible Notes, the Company entered into separate capped call transactions (the “2028 Capped Calls”) as described below. In connection with the issuance of the 2030 Convertible Notes during the second quarter of 2023, the Company used approximately \$99.8 million of the net proceeds to purchase and surrender for cancellation approximately \$163.0 million aggregate principal amount of the Company’s 2028 Convertible Notes, which resulted in a \$59.4 million gain on debt extinguishment. See *2030 Convertible Notes* below for further details of the 2030 Convertible Notes.

Upon adoption of ASU 2020-06, the Company allocated all of the debt discount to long-term debt. The debt discount is amortized to interest expense using the effective interest method, computed to be 0.9%, over the life of the 2028 Convertible Notes or approximately its seven-year term. The outstanding 2028 Convertible Notes balances as of June 30, 2024 and December 31, 2023 are summarized in the following table (in thousands):

	June 30, 2024	December 31, 2023
Long Term Debt		
Outstanding principal	\$ 297,024	\$ 297,024
Unamortized 2021 Initial Purchasers’ debt discount and debt issuance cost	(5,852)	(6,501)
Net carrying amount	<u>\$ 291,172</u>	<u>\$ 290,523</u>

The following table presents total interest expense recognized related to the 2028 Convertible Notes during the three and six months ended June 30, 2024 and 2023 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash interest expense				
Contractual interest expense	\$ 371	\$ 376	\$ 743	\$ 951
Non-cash interest expense				
Amortization of debt discount and debt issuance cost	325	342	649	841
Total interest expense	<u>\$ 696</u>	<u>\$ 718</u>	<u>\$ 1,392</u>	<u>\$ 1,792</u>

2028 Capped Call Options

On November 17, 2021, in connection with the pricing of the 2028 Convertible Notes, and on November 19, 2021, in connection with the exercise in full by the 2021 Initial Purchasers of their option to purchase additional Notes, the Company entered into the 2028 Capped Calls with certain counterparties. The Company used \$66.7 million of the net proceeds to pay the cost of the 2028 Capped Calls.

The 2028 Capped Calls have an initial strike price of \$29.2428 per share, which corresponds to the initial conversion price of the 2028 Convertible Notes and is subject to anti-dilution adjustments. The 2028 Capped Calls have a cap price of \$49.6575 per share, subject to certain adjustments.

The 2028 Capped Calls are considered separate transactions entered into by and between the Company and the 2028 Capped Calls counterparties, and are not part of the terms of the 2028 Convertible Notes. The Company recorded a reduction to additional paid-in capital of \$66.7 million during the year ended December 31, 2021 related to the premium payments for the 2028 Capped Calls. These instruments meet the conditions outlined in Financial Accounting Standards Board (“FASB”) ASU 2022-01 Topic 815, *Derivatives and Hedging* (“ASC 815”) to be classified in stockholders’ equity and are not subsequently remeasured as long as the conditions for equity classification continue to be met.

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2030 Convertible Notes and 2030 Capped Call Options

2030 Convertible Notes

On April 3, 2023, the Company issued \$240.0 million aggregate principal amount of its 2030 Convertible Notes in a private placement offering to qualified institutional buyers (the “2023 Initial Purchasers”) pursuant to Rule 144A under the Securities Act of 1933, as amended.

The 2030 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 4.25% per year, payable in cash semi-annually in arrears in April and October of each year, beginning on October 1, 2023. The 2030 Convertible Notes will mature on April 1, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, the Company may choose to pay or deliver cash, shares of common stock or a combination of cash and shares of common stock. The 2030 Convertible Notes are redeemable for cash at the Company’s option at any time given certain conditions (as discussed below), at an initial conversion rate of 140.3066 shares of common stock per \$1,000 principal amount of the 2030 Convertible Notes, which is equivalent to an initial conversion price of approximately \$7.1272 (the “2030 Conversion Price”) per share of the Company’s common stock. The conversion rate is subject to customary adjustments for certain events as described in the related indenture.

The 2030 Convertible Notes will be redeemable, in whole or in part, at the Company’s option, on or after April 5, 2027 if the last reported sale price of the Company’s common stock has been at least 130% of the 2030 Conversion Price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2030 Convertible Notes to be redeemed, plus accrued and unpaid interest.

The Company’s net proceeds from this offering were approximately \$232.4 million, net of \$7.6 million in debt issuance costs primarily consisting of underwriters, advisory, legal, and accounting fees. The Company used approximately \$99.8 million of the net proceeds to purchase and surrender for cancellation approximately \$163.0 million aggregate principal amount of the Company’s 2028 Convertible Notes. See *2028 Convertible Notes* above for further details on the impacts of the debt extinguishment.

The outstanding 2030 Convertible Notes balances as of June 30, 2024 and December 31, 2023 are summarized in the following table (in thousands):

	June 30, 2024	December 31, 2023
Long Term Debt		
Outstanding principal	\$ 240,000	\$ 240,000
Unamortized 2023 Initial Purchasers’ debt discount and debt issuance cost	(6,401)	(6,890)
Net carrying amount	<u>\$ 233,599</u>	<u>\$ 233,110</u>

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The debt discount and debt issuance costs are amortized to interest expense using the effective interest method, computed to be 4.70%, over the life of the 2030 Convertible Notes or its approximately seven-year term.

The following table presents total interest expense recognized related to the 2030 Convertible Notes during the three and six months ended June 30, 2024 (in thousands):

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
Cash interest expense				
Contractual interest expense	\$ 2,550	\$ 2,493	\$ 5,100	\$ 2,493
Non-cash interest expense				
Amortization of debt discount and debt issuance cost	246	231	489	231
Total interest expense	\$ 2,796	\$ 2,724	\$ 5,589	\$ 2,724

2030 Capped Call Options

On March 29, 2023 and March 31, 2023, in connection with the pricing of the 2030 Convertible Notes, and on April 3, 2023, in connection with the exercise in full by the 2023 Initial Purchasers of their option to purchase additional 2030 Convertible Notes, the Company entered into Capped Calls (the “2030 Capped Calls”) with certain counterparties. The Company used \$27.8 million of the net proceeds from the 2030 Convertible Notes to pay the cost of the 2030 Capped Calls.

The 2030 Capped Calls have an initial strike price of \$7.1272 per share, which corresponds to the initial conversion price of the 2030 Convertible Notes and is subject to anti-dilution adjustments. The 2030 Capped Calls have a cap price of \$11.1800 per share, subject to certain adjustments.

The 2030 Capped Calls are considered separate transactions entered into by and between the Company and the 2030 Capped Calls counterparties, and are not part of the terms of the 2030 Convertible Notes. The Company recorded a reduction to additional paid-in capital of \$27.8 million during the second quarter of 2023 related to the premium payments for the 2030 Capped Calls. These instruments meet the conditions outlined in ASC 815 to be classified in stockholders’ equity and are not subsequently remeasured as long as the conditions for equity classification continue to be met.

9. STOCK-BASED COMPENSATION

Equity Incentive Plans

In May 2024, the Company adopted the 2024 Equity Incentive Plan (the “2024 Plan”). Under the 2024 Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units (“RSUs”), and other awards that are settled in shares of the Company’s common stock.

Stock Options

The following table summarizes the stock option activity for the period ended June 30, 2024:

	Number of Options Outstanding	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Balances as of December 31, 2023	9,011,616	\$ 6.99	6.0	\$ 8,686
Options granted	687,483	3.37		
Options forfeited and expired	(180,669)	14.90		
Balances as of June 30, 2024	<u>9,518,430</u>	\$ 6.58	5.6	\$ 43
Options vested and exercisable — June 30, 2024	<u>7,091,322</u>	\$ 5.58	4.7	\$ 43

As of June 30, 2024, the Company had approximately \$10.5 million of remaining unrecognized stock-based compensation expense for stock options, which is expected to be recognized over a weighted average period of 1.2 years.

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Restricted Stock Units

The following table summarizes the RSU activity for the period ended June 30, 2024:

	Number of RSUs Outstanding ⁽¹⁾	Weighted-Average Grant Date Fair Value Per Share
Balances as of December 31, 2023	11,159,272	\$ 10.31
RSUs granted	8,744,460	2.11
RSUs vested	(6,654,406)	8.19
RSUs forfeited	(771,784)	6.57
Balances as of June 30, 2024	<u>12,477,542</u>	<u>\$ 5.92</u>

(1) Includes certain restricted stock units with service and market-based vesting criteria.

As of June 30, 2024, the Company had approximately \$59.0 million of remaining unrecognized stock-based compensation expense for RSUs, which is expected to be recognized over a weighted average period of 1.7 years.

During the three months ended March 31, 2024, the Company issued 3.0 million shares of fully vested RSU awards through the Company's stock bonus program under the 2021 Plan.

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense recorded in each component of operating expenses in the Company's unaudited condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Sales and marketing	\$ 1,244	\$ 1,550	\$ 2,358	\$ 2,495
Research and development	2,585	2,548	4,116	4,266
General and administrative	2,981	5,822	8,710	10,361
Total stock-based compensation expense	<u>\$ 6,810</u>	<u>\$ 9,920</u>	<u>\$ 15,184</u>	<u>\$ 17,122</u>

Stock-based compensation expense associated with research and development of \$0.7 million and \$0.9 million corresponding to internal-use software, were capitalized during the three months ended June 30, 2024 and 2023, respectively. Stock-based compensation expense associated with research and development of \$1.7 million and \$1.8 million were capitalized as internal-use software during the six months ended June 30, 2024 and 2023, respectively.

During the three months ended June 30, 2024 stock-based compensation expense included stock modifications in connection with the separation agreements for certain of the Company's executive officers. For the three months ended June 30, 2024, a net reduction of stock-based compensation expense of \$2.0 million was recorded within general and administrative expense and an additional charge of \$0.7 million was recorded within research and development expense.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

10. NET (LOSS) INCOME PER SHARE

Net (loss) income per share is computed by dividing net (loss) income by the basic weighted-average number of shares outstanding during the period. Diluted net (loss) income per share is computed by dividing net income by the diluted weighted-average number of shares outstanding during the period and, accordingly, reflects the potential dilutive effect of all issuable shares of common stock, including as a result of stock options, restricted stock units, warrants and convertible notes. The diluted weighted-average number of shares used in our diluted net (loss) income per share calculation is determined using the treasury stock method for stock options, restricted stock units, and warrants, and the if-converted method for convertible notes. For periods in which we recognize losses, the calculation of diluted loss per share is the same as the calculation of basic loss per share.

The following table sets forth the computation of basic and diluted net (loss) income per share attributable to common stockholders (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net (loss) income attributable to common stockholders	\$ (582,270)	\$ 19,122	\$ (654,577)	\$ (25,656)
Numerator - Diluted:				
Net (loss) income per share attributable to common stockholders, basic	\$ (582,270)	\$ 19,122	\$ (654,577)	\$ (25,656)
Less: Gain on extinguishment of debt, net of tax	—	(59,133)	—	—
Net loss attributable to Stem common stockholders, diluted	\$ (582,270)	\$ (40,011)	\$ (654,577)	\$ (25,656)
Denominator:				
Weighted-average number of shares outstanding used to compute net (loss) income per share attributable to common stockholders, basic	162,158,936	155,619,179	160,169,536	155,294,475
Dilutive potential common shares	—	185,774	—	—
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, diluted	162,158,936	155,804,953	160,169,536	155,294,475
Net (loss) income per share attributable to common stockholders, basic	\$ (3.59)	\$ 0.12	\$ (4.09)	\$ (0.17)
Net loss per share attributable to common stockholders, diluted	\$ (3.59)	\$ (0.26)	\$ (4.09)	\$ (0.17)

The following table shows total outstanding potentially dilutive shares excluded from the computation of diluted net loss per share attributable to common stockholders as their effect would have been anti-dilutive, as of June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Outstanding 2028 Convertible Notes (if converted)	10,157,181	10,157,181
Outstanding 2030 Convertible Notes (if converted)	33,673,584	33,673,584
Outstanding stock options	9,518,430	9,122,644
Outstanding warrants	2,533	2,533
Outstanding RSUs	12,477,542	12,051,192
Total	65,829,270	65,007,134

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

11. INCOME TAXES

The following table reflects the Company's provision for income taxes and the effective tax rates for the periods presented below (in thousands, except effective tax rate):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(Loss) income before provision for income taxes	\$ (582,208)	\$ 19,613	\$ (654,362)	\$ (25,256)
Provision for income taxes	\$ (62)	\$ (491)	\$ (215)	\$ (400)
Effective tax rate	(0.01)%	2.50 %	(0.03)%	(1.60)%

For the three months ended June 30, 2024, the Company recognized a provision for income taxes of \$62 thousand, representing an effective tax rate of (0.01)%, which was lower than the statutory federal tax rate because the Company maintains a valuation allowance on its U.S. deferred tax assets and recognized a nondeductible goodwill impairment. For the six months ended June 30, 2024, the Company recognized a provision for income taxes of \$0.2 million, representing an effective tax rate of (0.03)%, which was lower than the statutory federal tax rate due to the valuation allowance on U.S. deferred tax assets and a nondeductible goodwill impairment. For the three months ended June 30, 2023, the Company recognized a provision for income taxes of \$0.5 million, representing an effective tax rate of 2.50%, which was lower than the statutory federal tax rate because the Company maintains a valuation allowance on its U.S. deferred tax assets. For the six months ended June 30, 2023, the Company recognized a provision for income taxes of \$0.4 million, representing an effective tax rate of (1.60)%, which was lower than the statutory federal tax rate due to a \$0.3 million tax benefit from an acquisition for a partial valuation allowance release on U.S. deferred tax assets due to the deferred tax liability established in purchase accounting on acquired intangibles during the six months ended June 30, 2023.

12. COMMITMENTS AND CONTINGENCIES**Contingencies**

The Company is party to various legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to any currently pending legal proceeding is remote. However, litigation is inherently uncertain and it is not possible to definitively predict the ultimate disposition of any of these proceedings. As of the date of this filing, the Company does not believe that there are any pending legal proceedings or other loss contingencies that will, either individually or in the aggregate, have a material adverse effect on the Company taken as a whole.

Commitments

In June 2024, the Company recognized a \$2.5 million operating lease liability and a corresponding operating lease right-of-use ("ROU") asset, which are included in the unaudited condensed consolidated balance sheets as of June 30, 2024. The operating lease liability and operating lease ROU asset correspond to 6,508 square feet of leased office in San Francisco, California. As of the commencement date of the lease, the remaining lease term was 65 months. The lease agreement contemplates options to extend the non-cancelable lease term, which have been determined to be not reasonably certain to be exercised. Base rent is approximately \$54,200 per month with escalating payments. Upon entering into this new lease, the Company subleased an existing office space which led to a right-of-use asset impairment of \$2.1 million for the three months ended June 30, 2024.

Non-cancelable Purchase Obligations

During the three months ended June 30, 2024, there have been no material changes to our non-cancelable purchase obligations from those disclosed in Note 20. "Commitments and Contingencies" in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 29, 2024.

Non-Income Related Taxes

The Company is finalizing its sales tax liability analysis for states in which it may be determined to have economic nexus. During the third quarter of 2023, the Company determined it was probable that the Company would be subject to sales tax liabilities plus applicable interest in certain states and estimated the probable tax liability to be \$5.6 million, and accordingly, the Company accrued this amount as of June 30, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (the "Report"), as well as other statements we make, contains "forward-looking statements" within the meaning of the federal securities laws, which include any statements that are not historical facts. Such statements often contain words such as "expect," "may," "can," "believe," "predict," "plan," "potential," "projected," "projections," "forecast," "estimate," "intend," "anticipate," "ambition," "goal," "target," "think," "should," "could," "would," "will," "hope," "see," "likely," and other similar words.

Forward-looking statements address matters that are, to varying degrees, uncertain, such as statements about financial and performance targets and other forecasts or expectations regarding, or dependent on, our business outlook; our expectations regarding future estimates of variable consideration in connection with guarantees in certain customer contracts, and the resulting effects on revenue; our ability to secure sufficient and timely inventory from suppliers; our ability to meet contracted customer demand; our ability to manage manufacturing or delivery delays; our ability to manage our supply chain and distribution channels; our joint ventures, partnerships and other alliances; forecasts or expectations regarding energy transition and global climate change; reduction of greenhouse gas ("GHG") emissions; the integration and optimization of energy resources; our business strategies and those of our customers; our ability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the effects of natural disasters and other events beyond our control; the direct or indirect effects on our business of macroeconomic factors and geopolitical instability, such as the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas; the expected benefits of the Inflation Reduction Act of 2022 on our business; and our future results of operations, including revenue and adjusted EBITDA.

Forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to our inability to secure sufficient and timely inventory from our suppliers, as well as contracted quantities of equipment; our inability to meet contracted customer demand; supply chain interruptions and manufacturing or delivery delays; disruptions in sales, production, service or other business activities; general macroeconomic and business conditions in key regions of the world, including inflationary pressures, general economic slowdown or a recession, rising interest rates, changes in monetary policy, and instability in financial institutions; the direct and indirect effects of widespread health emergencies on our workforce, operations, financial results and cash flows; geopolitical instability, such as the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas; the results of operations and financial condition of our customers and suppliers; pricing pressures; severe weather and seasonal factors; our inability to continue to grow and manage our growth effectively; our inability to attract and retain qualified employees and key personnel; our inability to comply with, and the effect on our business of, evolving legal standards and regulations, including those concerning data protection, consumer privacy, sustainability, and evolving labor standards; risks relating to the development and performance of our energy storage systems and software-enabled services; our inability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the risk that our business, financial condition and results of operations may be adversely affected by other political, economic, business and competitive factors; and other risks and uncertainties discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and in our other filings with the SEC. If one or more of these or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, our actual results or outcomes, or the timing of these results or outcomes, may vary materially from those reflected in our forward-looking statements. Forward-looking statements and other statements in this Report regarding our environmental, social, and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking environmental, social, and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. Forward-looking statements in this Report are made as of the date of this Report, and we do not assume any obligation to update any forward-looking statements after the date of this Report, except as required by law.

You should read the following management's discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q. This discussion and analysis should also be read together with our audited consolidated financial statements and related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. You should carefully read the sections entitled "Special Note Regarding Forward-Looking Statements" and "Risk Factors" herein to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.

Overview

Our mission is to maximize the economic, environmental, and resiliency value of renewable energy assets through our leading artificial intelligence (“AI”) platform. In order to fulfill our mission, we provide our customers, which include energy traders, asset owners, independent power producers, community choice aggregators, offtakers, renewable project developers, EPCs, O&M providers, electric cooperatives, utilities, load-serving entities, and grid operators, with (i) energy storage hardware, sourced from leading, global battery OEMs, that we deliver through our partners, including developers, distributors and EPC firms, (ii) edge hardware to aid in the collection of site data and the real-time operation and control of the site plus other optional equipment, and (iii) an ongoing software platform, Athena®, and services to operate and manage the performance of standalone energy storage, integrated solar plus storage systems, and solar assets. In addition, in all of the markets where we help manage our customers’ clean energy assets, we have agreements to use the Athena platform to participate in such markets and to share the revenue from such market participation.

We operate in two key areas within the energy landscape: Behind-the-Meter (“BTM”) and Front-of-the-Meter (“FTM”). An energy system’s position in relation to a customer’s electric meter determines whether it is designated a BTM or FTM system. BTM systems provide power that can be used on-site without interacting with the electric grid and passing through an electric meter. FTM, grid-connected systems provide power to off-site locations and must pass through an electric meter prior to reaching an end-user.

For BTM customers, Athena mitigates customer energy costs through services such as time-of-use and demand charge management optimization and by aggregating the dispatch of energy through a network of virtual power plants. Our software is designed to reduce C&I customer energy bills, increase their energy yield, and help our customers facilitate the achievement of their corporate environmental, social, and corporate governance (“ESG”) and carbon reduction objectives. Through PowerTrack, our software maximizes solar energy output and minimizes asset downtime.

For FTM customers, our software decreases risk for project developers, asset owners, independent power producers and investors by adapting to dynamic energy market conditions in connection with the deployment of electricity and improving the value of energy assets over the course of their FTM system’s lifetime.

Since our inception in 2009, we have engaged in developing and marketing software-enabled services, raising capital, and recruiting personnel. We have incurred net operating losses and negative cash flows from operations each year since our inception. We have financed our operations primarily through cash flows from customers, proceeds from the Merger, convertible senior notes, and issuance of convertible preferred stock.

Our total revenue decreased from \$92.9 million for the three months ended June 30, 2023 to \$34.0 million for the three months ended June 30, 2024. We incurred net losses of \$582.3 million for the three months ended June 30, 2024 and generated net income of \$19.1 million for the three months ended June 30, 2023. Our total revenue decreased from \$160.4 million for the six months ended June 30, 2023 to \$59.5 million for the six months ended June 30, 2024. For the six months ended June 30, 2024 and 2023, we incurred net losses of \$654.6 million and \$25.7 million, respectively. As of June 30, 2024, we had an accumulated deficit of \$1,427.1 million.

We expect that our sales and marketing, research and development, regulatory and other expenses will continue to increase as we expand our marketing efforts to increase sales of our solutions, expand existing relationships with our customers, and obtain regulatory clearances or approvals for future product enhancements. In addition, we expect our general and administrative costs and expenses to increase due to the additional costs associated with scaling our business operations as well as being a public company, including legal, accounting, insurance, exchange listing and SEC compliance, investor relations and other costs and expenses.

Key Factors, Trends and Uncertainties Affecting our Business

We believe that our performance and future success depend on several factors, some of which present significant opportunities for us, and some of which pose risks and challenges, including but not limited to:

Seasonality

Our results of operations have typically fluctuated due to seasonal trends, which we expect to recur in future periods. Historically, we have recognized most of our revenue in the third and fourth fiscal quarters of each year due to various factors, including the requirement by our customers to reach target commercial operation dates for their renewable energy projects as well as tax equity and financing considerations. For instance, our revenue recognized in the third and fourth quarters of the fiscal year ended December 31, 2023 accounted for 65% of the total revenue recognized in the fiscal year ended December 31, 2023. The seasonality of our results of operations may be mitigated as our software and services offerings begin to comprise a greater percentage of our total revenue.

Customer Concentration

We depend on a small number of significant customers for our sales, and a small number of customers have historically accounted for a material portion of our revenue. While we are committed to diversifying our customer base, we may continue to derive a significant portion of our revenue from a small number of customers. Loss of a significant customer, the inability to close (or a delay in closing) a significant contract at any time, or a significant reduction in pricing or order volume from a significant customer, have (in the case of contractual delays, resulted in material reductions in revenue and other adverse effects in certain quarters, and may do so in the future.

Supply Chain Constraints and Risk

We rely on a very small number of suppliers of energy storage systems and other equipment. If any of our suppliers were unable or unwilling to provide us with contracted quantities in a timely manner at prices, quality levels, and volumes acceptable to us, we would have very limited alternatives for supply, and we may not be able find suitable replacements for our customers, if at all. Such an event could materially adversely affect our business, prospects, financial condition, and results of operations.

DevCo Joint Ventures

We, through an indirect wholly-owned development subsidiary, have entered into strategic joint ventures with qualified third parties to develop select energy storage generation projects (“DevCo Projects”), as more fully described above under Note 1 — *Business*, of the Notes to the unaudited condensed consolidated financial statements in this report. These projects sometimes require significant upfront investment by us and can involve a high degree of risk. If a DevCo Project fails to reach completion or is significantly delayed, we could lose all or a portion of our development capital investment. See “*We Face Risks Related to our DevCo Business Model*” in Part I, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for additional information about certain risks related to these DevCo Projects.

Parent Company Guarantees

Prior to July 2023, we agreed in certain customer contracts, to provide a guarantee that the value of purchased hardware will not decline for a certain period of time, as more fully described above under Note 3 — *Revenue*, of the Notes to the unaudited condensed consolidated financial statements in this Report. We account for such contractual terms and guarantees as variable consideration at each measurement date. We update our estimates of variable consideration each quarter, including changes in estimates related to such guarantees, for facts or circumstances that have changed from the time of the initial estimate. As a result, the Company recorded a net revenue reduction of \$33.1 million in hardware revenue during the six months ended June 30, 2024. The overall reduction in revenue was related to deliveries that occurred prior to the current fiscal year.

Because we have not included these parent company guarantees in our contracts since July 2023, and because we do not intend to provide guarantees in customer contracts going forward, we believe that excluding the effect of the \$33.1 million net reduction in revenue from adjusted EBITDA and non-GAAP gross profit enhances the comparability to these metrics in prior periods.

Depending on various market conditions in the future that we cannot currently predict, we may experience future revenue reductions as a result of outstanding guarantees, one or more of which may be material.

Decline in Lithium-Ion Battery Costs

Our revenue growth is directly tied to the continued adoption of energy storage systems by our customers. The cost of lithium-ion energy storage hardware has generally declined over the last decade, but increased demand and global supply chain constraints could cause price increases in the future. The market for energy storage is rapidly evolving, and while we believe costs will continue to decline over time, there is no guarantee. If costs do not continue to decline, or do not decline as quickly as we anticipate, this could adversely affect our ability to increase our revenue and grow our business. The United States Inflation Reduction Act of 2022 (the “IRA”) was signed into law in August 2022 and includes incentives and tax credits aimed at reducing the effects of climate change, such as a tax credit for stand-alone battery storage projects. The implementation of the IRA is expected to further reduce the cost of battery storage systems for certain customers; however, there are numerous restrictions and requirements associated with qualifying for the tax credits and other incentives available under the IRA, and we continue to assess Treasury Department and other guidance on how the IRA impacts our business.

Increase in Deployment of Renewables

Deployment of intermittent resources has accelerated over the last decade, and today, wind and solar have become a low cost energy source. We expect the cost of generating renewable energy to continue to decline and deployments of energy storage systems to increase. As renewable energy sources of energy production are expected to represent a larger proportion of energy generation, grid instability rises due to their intermittency, which can be addressed by energy storage solutions. The IRA

is expected to further increase the deployment of renewable energy assets. We are continuing to evaluate the IRA and its requirements, including Treasury Department guidance, and its application to our business and our customers.

Competition

We are a market leader in terms of capacity of energy storage under management. We intend to strengthen our competitive position over time by leveraging the network effect of Athena's AI infrastructure. Existing competitors may expand their product offerings and sales strategies, and new competitors may enter the market. Furthermore, our competitors include other types of software providers and some hardware manufacturers that offer software solutions. If our market share declines due to increased competition, our revenue and ability to generate profits in the future may be adversely affected.

Government Regulation and Compliance

Although we are not regulated as a utility, the market for our products and services is heavily influenced by federal, state, and local government statutes and regulations concerning electricity. These statutes and regulations, like the IRA, affect electricity pricing, net metering, incentives, taxation, competition with utilities, and the interconnection of customer-owned electricity generation. In the United States and internationally, governments regularly modify these statutes and regulations and acting through state utility or public service commissions, regularly change and adopt different rates for commercial customers. These changes can positively or negatively affect our ability to deliver cost savings to customers.

Non-GAAP Financial Measures

In addition to financial results determined in accordance with U.S. generally accepted accounting principles ("GAAP"), we use adjusted EBITDA and non-GAAP gross profit and margin, which are non-GAAP financial measures, for financial and operational decision making and as a means to evaluate our operating performance and prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our operating performance, such as stock-based compensation and other non-cash charges, as well as discrete cash charges that are infrequent in nature. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures are useful to investors because they both (1) allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and (2) are used by our institutional investors and the analyst community to help them analyze the health of our business. Adjusted EBITDA and non-GAAP gross profit and margin should be considered in addition to, not as a substitute for, or superior to, other measures of financial performance prepared in accordance with GAAP.

Non-GAAP Gross Profit and Margin

We define non-GAAP gross profit as gross profit excluding amortization of capitalized software, impairments related to decommissioning of end-of-life systems, excess supplier costs, reduction in revenue, and revenue constraints. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

We generally record the full purchase order value as revenue at the time of hardware delivery; however, for certain non-cancelable purchase orders entered into during the first quarter of 2023, the final settlement amount payable to us is variable and indexed to the price per ton of lithium carbonate in the first quarter of 2024 such that we may increase or decrease the final prices in such purchase orders based on the price per ton of lithium carbonate at final settlement. Lithium carbonate is a key raw material used in the production of hardware systems that we ultimately sell to our customers. The total dollar amount of such purchase orders for the indexed contracts was approximately \$52.0 million. However, due to the pricing structure in such purchase orders, we recorded revenue in the first quarter of 2023 of approximately \$42.0 million, net of a \$10.2 million revenue constraint, using a third party forecast of the lithium carbonate trading value in the first quarter of 2024. Because we had not previously used indexed pricing in our customer contracts or purchase orders and had not previously constrained revenue related to forecasted inputs of our hardware systems, we believe that including the \$10.2 million revenue constraint from the first quarter of 2023 into non-GAAP gross profit enhances the comparability to our non-GAAP gross profit in prior periods. We are expected to receive, pursuant to such purchase orders, final consideration of at least approximately \$34.0 million. We recorded the full cost of hardware revenue for these indexed contracts in the first quarter of 2023.

In the first quarter of 2024, we incurred costs of \$1.0 million above initially agreed prices on the acquisition of certain hardware systems from one of our suppliers, which resulted from production delays by such supplier. Because we had not previously incurred costs above initially agreed prices with a hardware supplier, we excluded this item from adjusted EBITDA and non-GAAP gross profit to better facilitate comparisons of our underlying operating performance across periods.

The following table provides a reconciliation of gross profit (loss) and margin (GAAP) to non-GAAP gross profit and margin (in millions, except for percentages):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 34.0	\$ 93.0	\$ 59.5	\$ 160.4
Cost of revenue	(24.6)	(81.1)	(74.3)	(147.5)
GAAP gross profit (loss)	9.4	11.9	(14.8)	12.9
GAAP gross margin (%)	28 %	13 %	(25)%	8 %
Non-GAAP Gross Profit				
GAAP Revenue	\$ 34.0	\$ 93.0	\$ 59.5	\$ 160.4
Add: Revenue constraint ⁽¹⁾	—	—	—	10.2
Add: Revenue reduction, net ⁽²⁾	—	—	33.1	—
Subtotal	34.0	93.0	92.6	170.6
Less: Cost of revenue	(24.6)	(81.1)	(74.3)	(147.5)
Add: Amortization of capitalized software & developed technology	4.0	3.3	7.9	6.3
Add: Impairments	0.1	1.2	0.1	2.1
Add: Excess supplier costs ⁽³⁾	—	—	1.0	—
Non-GAAP gross profit	\$ 13.5	\$ 16.4	\$ 27.3	\$ 31.5
Non-GAAP gross margin (%)	40 %	18 %	30 %	18 %

(1) Refer to the discussion of revenue constraint in “— Non-GAAP Gross Profit and Margin” above.

(2) Refer to the discussion of reduction in revenue in “— Parent Company Guarantees” above.

(3) Refer to the discussion of excess supplier costs in “— Non-GAAP Gross Profit and Margin” above.

Adjusted EBITDA

As discussed above, we believe that adjusted EBITDA is useful for investors to use in comparing our financial performance with the performance of other companies. Nonetheless, the expenses and other items that we exclude in our calculation of adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude when calculating adjusted EBITDA.

We calculate adjusted EBITDA as net (loss) income attributable to us before depreciation and amortization, including amortization of internally developed software, net interest expense, further adjusted to exclude stock-based compensation and other income and expense items, including the gain on extinguishment of debt, net, revenue constraint, reduction in revenue, excess supplier costs, change in fair value of derivative liability, impairment of goodwill, restructuring costs and income tax provision or benefit.

The following table provides a reconciliation of adjusted EBITDA to net (loss) income (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)		(in thousands)	
Net (loss) income	\$ (582,270)	\$ 19,122	\$ (654,577)	\$ (25,656)
Adjusted to exclude the following:				
Depreciation and amortization ⁽¹⁾	13,651	12,609	24,805	24,567
Interest expense, net	4,631	3,903	9,338	5,680
Gain on extinguishment of debt, net	—	(59,121)	—	(59,121)
Stock-based compensation	6,810	9,920	15,184	17,122
Revenue constraint ⁽²⁾	—	—	—	10,200
Revenue reduction, net ⁽³⁾	—	—	33,128	—
Excess supplier costs ⁽⁴⁾	—	—	1,012	—
Change in fair value of derivative liability	(1,477)	2,576	(1,477)	2,576
Impairment of goodwill	547,152	—	547,152	—
Provision for income taxes	62	491	215	400
Other expenses ⁽⁵⁾	125	1,021	1,665	1,021
Adjusted EBITDA	\$ (11,316)	\$ (9,479)	\$ (23,555)	\$ (23,211)

(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) Refer to the discussion of revenue constraint in “— Non-GAAP Gross Profit and Margin” above.

(3) Refer to the discussion of reduction in revenue in “— Parent Company Guarantees” above.

(4) Refer to the discussion of excess supplier costs in “— Non-GAAP Gross Profit and Margin” above.

(5) Adjusted EBITDA for the six months ended June 30, 2024 reflects the exclusion of other expenses of \$1.7 million. For the six months ended June 30, 2024, other expenses are comprised of \$0.6 million of other non-recurring expenses, and \$1.1 million for 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.

Financial Results and Key Metrics

The following table presents our financial results and our key metrics (in millions, except for percentages and unless otherwise noted):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Key Financial Metrics				
Revenue	\$ 34.0	\$ 93.0	\$ 59.5	\$ 160.4
GAAP gross profit (loss)	\$ 9.4	\$ 11.9	\$ (14.8)	\$ 12.9
GAAP gross margin (%)	28 %	13 %	(25)%	8 %
Non-GAAP gross profit	\$ 13.5	\$ 16.4	\$ 27.3	\$ 31.5
Non-GAAP gross margin (%)	40 %	18 %	30 %	18 %
Net (loss) income	\$ (582.3)	\$ 19.1	\$ (654.6)	\$ (25.7)
Adjusted EBITDA	\$ (11.3)	\$ (9.5)	\$ (23.6)	\$ (23.2)
Key Operating Metrics				
Bookings (1)	\$ 25.4	\$ 236.4	\$ 49.2	\$ 599.9
Contracted backlog* (2)	\$ 1,578.5	\$ 1,364.3	\$ 1,578.5	\$ 1,364.3
Contracted storage AUM (in GWh)*	5.8	3.8	5.8	3.8
Solar monitoring AUM (in GW)* (3)	26.9	26.0	26.9	26.0
CARR* (4)	\$ 90.1	\$ 74.9	\$ 90.1	\$ 74.9

* at period end

(1) As described below.

(2) Total value of bookings in dollars, as reflected on a specific date. Backlog increases as new contracts are executed (bookings) and decreases as integrated storage systems are delivered and recognized as revenue.

(3) Total GW of systems in operation or under contract.

(4) 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.

Bookings

Due to the long-term nature of our contracts, bookings are a key metric that allows us to understand and evaluate the growth of our Company and our estimated future revenue related to customer contracts for our energy optimization services and transfer of energy storage systems. Bookings represent the accumulated value at a point in time of contracts that have been executed under both our host customer and partnership sales models.

For host customer sales, bookings represent the expected consideration from energy optimization services contracts, including estimated incentive payments that are earned by the host customer from utility companies in relation to the services provided by us and assigned by the host customer to us. For host customer sales, there are no differences between bookings and remaining performance obligations at any point in time.

For partnership sales, bookings are the sum of the expected consideration to be received from the transfer of hardware and energy optimization services (excluding any potential revenues from market participation). For partnership sales, even though we have secured an executed contract with estimated timing of project delivery and installation from the customer, we do not consider it a contract in accordance with FASB ASU 2014-09 Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), or a remaining performance obligation, until the customer has placed a binding purchase order. A signed customer contract is considered a booking as this indicates the customer has agreed to place a purchase order in the foreseeable future, which typically occurs within three (3) months of contract execution. However, executed customer contracts, without binding purchase orders, are cancellable without penalty by either party.

For partnership sales, once a purchase order has been executed, the booking is considered to be a contract in accordance with ASC 606, and therefore, gives rise to a remaining performance obligation as we have an obligation to transfer hardware and energy optimization services in our partnership agreements. We also have the contractual right to receive consideration for our performance obligations.

The accounting policy and timing of revenue recognition for host customer contracts and partnership arrangements that qualify as contracts with customers under ASC 606, are described within Note 2 — *Summary of Significant Accounting Policies*, in the accompanying notes to the consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Components of Our Results of Operations

Revenue

We generate services and other revenue and hardware revenue. Services and other revenue is mainly generated through arrangements with host customers to provide energy optimization services using our proprietary software platform coupled with a dedicated energy storage system owned and controlled by us throughout the term of the contract. Fees charged to customers for energy optimization services generally consist of recurring fixed monthly payments throughout the term of the contract and in some arrangements, an installation and/or upfront fee component. We may also receive incentives from utility companies in relation to the sale of our services. Services and other revenue also includes the sale of project assets. We separately generate services revenue through partnership arrangements by providing energy optimization services after the developer completes the installation of the project.

We generate hardware revenue through partnership arrangements consisting of sales of energy storage system to solar plus storage project developers. Performance obligations are satisfied when the energy storage system along with all ancillary hardware components are delivered. The milestone payments received before the delivery of hardware are treated as deferred revenue. In certain customer contracts, we agreed to provide a guarantee that the value of purchased hardware will not decline for a certain period of time, as more fully described below under Note 3 — *Revenue*, of the Notes to the unaudited condensed consolidated financial statements in this Report.

Cost of Revenue

Cost of services and other revenue includes depreciation of the cost of energy storage systems we own under long-term customer contracts, which includes capitalized fulfillment costs, such as installation services, permitting and other related costs. Cost of services and other revenue also includes the costs for the development and constructions of project assets. Cost of revenue may also include any impairment of inventory and energy storage systems, along with system maintenance costs associated with the ongoing services provided to customers. Costs of revenue are recognized as energy optimization and other supporting services are provided to our customers throughout the term of the contract.

Cost of hardware revenue generally includes the cost of the hardware purchased from a manufacturer, shipping, delivery, and other costs required to fulfill our obligation to deliver the energy storage system to the customer location. Cost of hardware revenue may also include any impairment of energy storage systems held in our inventory for sale to our customer. Cost of hardware revenue related to the sale of energy storage systems is recognized when the delivery of the product is completed.

Gross Profit (Loss)

Our gross profit (loss) fluctuates significantly from quarter to quarter. Gross profit (loss), calculated as revenue less costs of revenue, has been, and will continue to be, affected by various factors, including fluctuations in the amount and mix of revenue and the amount and timing of investments to expand our customer base. Over the long term, we hope to increase both our gross profit in absolute dollars and gross margin as a percentage of revenue through enhanced operational efficiency and economies of scale.

Operating Expenses

Sales and Marketing

Sales and marketing expense consists of payroll and other related personnel costs, including salaries, stock-based compensation, commissions, bonuses, employee benefits, and travel for our sales and marketing personnel. In addition, sales and marketing expense includes trade show costs, amortization of intangibles and other expenses. We expect our sales and marketing expense to increase in future periods to support the overall growth in our business.

Research and Development

Research and development expense consists primarily of payroll and other related personnel costs for engineers and third parties engaged in the design and development of products, third-party software and technologies, including salaries, bonuses and stock-based compensation expense, project material costs, services and depreciation. We expect research and development expense to increase in future periods to support our growth, including our investments in optimization, accuracy and reliability of our platform and other technology improvements to support and drive efficiency in our operations. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments.

General and Administrative Expense

General and administrative expense consists of payroll and other related personnel costs, including salaries, stock-based compensation, employee benefits and expenses for executive management, legal, finance and other costs. In addition, general and administrative expense includes fees for professional services and occupancy costs. We expect to continue to manage and reduce our general and administrative expense associated with scaling our business operations and being a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

Impairment of Goodwill

Impairment of goodwill represents impairment charges as a result of the carrying amount being greater than the fair value.

Other (Expense) Income, Net

Interest Expense, Net

Interest expense, net consists primarily of interest on our outstanding borrowings under our outstanding notes payable, convertible senior notes, and financing obligations and accretion on our asset retirement obligations.

Gain on Extinguishment of Debt, Net

Gain on extinguishment of debt, net consists of income recognized in relation to the prepayment of our outstanding borrowings under our outstanding convertible notes and the write-off of any unamortized debt issuance costs associated with such notes.

Change in Fair Value of Derivative Liability

Change in fair value of derivative liability is related to the revaluation of a derivative feature within a revenue contract, whereby final settlement is indexed to the price per ton of lithium carbonate.

Other Income, Net

Other income, net consists primarily of income from equity investments and foreign exchange gains or losses.

Results of Operations for the Three Months Ended June 30, 2024 and 2023

	Three Months Ended June 30,		\$ Change	% Change
	2024	2023		
	(in thousands, except percentages)			
Revenue				
Services and other revenue	\$ 15,103	\$ 16,360	\$ (1,257)	(8)%
Hardware revenue	18,896	76,586	(57,690)	(75)%
Total revenue	33,999	92,946	(58,947)	(63)%
Cost of Revenue				
Cost of services and other revenue	10,955	11,756	(801)	(7)%
Cost of hardware revenue	13,669	69,319	(55,650)	(80)%
Total cost of revenue	24,624	81,075	(56,451)	(70)%
Gross profit (loss)	9,375	11,871	(2,496)	(21)%
Operating expenses:				
Sales and marketing	10,944	13,680	(2,736)	(20)%
Research and development	15,281	14,156	1,125	8%
General and administrative	15,846	18,904	(3,058)	(16)%
Impairment of goodwill	547,152	—	547,152	*
Total operating expenses	589,223	46,740	542,483	1,161%
Loss from operations	(579,848)	(34,869)	(544,979)	1,563%
Other (expense) income, net:				
Interest expense, net	(4,631)	(3,903)	(728)	19%
Gain on extinguishment of debt, net	—	59,121	(59,121)	*
Change in fair value of derivative liability	1,477	(2,576)	4,053	(157)%
Other income, net	794	1,840	(1,046)	(57)%
Total other (expense) income, net	(2,360)	54,482	(56,842)	(104)%
(Loss) income before provision for income taxes	(582,208)	19,613	(601,821)	(3,068)%
Provision for income taxes	(62)	(491)	429	(87)%
Net (loss) income	\$ (582,270)	\$ 19,122	\$ (601,392)	(3,145)%

*Percentage is not meaningful

Revenue

Revenue decreased by \$58.9 million, or 63%, for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The decrease was primarily driven by a \$57.7 million decrease in hardware revenue primarily from a decrease in demand for hardware systems due to extensions of certain project-related timelines including interconnection and financing related delays. Services and other revenue also decreased by \$1.3 million primarily due to prior year decommissioning of systems.

Cost of Revenue

Cost of revenue decreased by \$56.5 million, or 70%, for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The decrease was primarily driven by a decrease in cost of hardware revenue of \$55.7 million due to the decrease in demand for systems and a reduction in cost of materials as a result of improved lithium prices. Cost of services and other revenue also decreased by \$0.8 million, primarily due to lower solar cloud service costs.

Operating Expenses

Sales and Marketing

Sales and marketing expense decreased by \$2.7 million, or 20%, for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The decrease was primarily due to a decrease of \$1.1 million in personnel related expenses mainly from a decrease in sales commissions and a decrease of \$1.6 million in professional services and office-related expenses.

Research and Development

Research and development expense increased by \$1.1 million, or 8%, for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The increase was primarily due to an increase of \$0.7 million in professional services and other expenses and an increase of \$0.4 million in personnel related expenses as a result of higher headcount.

General and Administrative

General and administrative expense decreased by \$3.1 million, or 16%, for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The decrease was primarily driven by a decrease of \$2.8 million in personnel costs driven by lower stock-based compensation expense and a decrease of \$0.3 million in office-related costs.

Impairment of Goodwill

During the three months ended June 30, 2024, we recorded an impairment of goodwill of \$547.2 million as the carrying amount of the reporting unit exceeded its fair value.

Other (Expense) Income, Net

Interest Expense, Net

Interest expense increased by \$0.7 million, or 19%, for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023. The increase was primarily driven by the accretion of the discount on short-term investments of \$0.8 million, partially offset by a decrease of \$0.1 million in interest on financing obligations.

Gain on Extinguishment of Debt, Net

During the three months ended June 30, 2023, we recorded a \$59.4 million gain on extinguishment of debt driven by a \$99.8 million payment to extinguish approximately \$163.0 million aggregate principal amount of our 2028 Convertible Notes. The gain was partially offset by a \$0.3 million loss on extinguishment of debt from repayment of our 2021 Credit Agreement.

Change in Fair Value of Derivative Liability

During the three months ended June 30, 2024, we realized gains of \$1.5 million relating to the settlement of our derivative liability related to customers contracts, as compared to unrealized losses of \$2.6 million during the three months ended June 30, 2023 due to the change in the price per ton of lithium carbonate.

Other Income, Net

Other income, net decreased by \$1.0 million, or 57% for the three months ended June 30, 2024, as compared to three months ended June 30, 2023 primarily due to a decrease of \$0.5 million in accrued interest income from investments and a decrease of \$0.5 million in gains on sales of assets.

Provision for Income Taxes

During the three months ended June 30, 2024, we recorded a provision for income taxes of \$62 thousand primarily as a result of foreign and state income tax expense. During the three months ended June 30, 2023, we recorded a provision for income taxes of \$0.5 million as a result of income tax expense from the gain on extinguishment of 2028 Convertible Notes during the second quarter of 2023.

Results of Operations for the Six Months Ended June 30, 2024 and 2023

	Six Months Ended June 30,		\$ Change	% Change
	2024	2023		
(in thousands, except percentages)				
Revenue				
Services and other revenue	\$ 29,943	\$ 31,033	\$ (1,090)	(4)%
Hardware revenue	29,525	129,318	(99,793)	(77)%
Total revenue	59,468	160,351	(100,883)	(63)%
Cost of revenue				
Cost of services and other revenue	20,939	23,260	(2,321)	(10)%
Cost of hardware revenue	53,345	124,226	(70,881)	(57)%
Total cost of revenue	74,284	147,486	(73,202)	(50)%
Gross profit (loss)	(14,816)	12,865	(27,681)	(215)%
Operating expenses:				
Sales and marketing	22,070	26,086	(4,016)	(15)%
Research and development	29,417	27,600	1,817	7%
General and administrative	34,406	36,701	(2,295)	(6)%
Impairment of goodwill	547,152	—	547,152	*
Total operating expenses	633,045	90,387	542,658	600%
Loss from operations	(647,861)	(77,522)	(570,339)	736%
Other (expense) income, net:				
Interest expense, net	(9,338)	(5,680)	(3,658)	64%
Gain on extinguishment of debt, net	—	59,121	(59,121)	*
Change in fair value of derivative liability	1,477	(2,576)	4,053	(157)%
Other income, net	1,360	1,401	(41)	(3)%
Total other (expense) income, net	(6,501)	52,266	(58,767)	(112)%
(Loss) income before provision for income taxes	(654,362)	(25,256)	(629,106)	2,491%
Provision for income taxes	(215)	(400)	185	(46)%
Net (loss) income	\$ (654,577)	\$ (25,656)	\$ (628,921)	2451%

*Percentage is not meaningful

Revenue

Revenue decreased by \$100.9 million, or 63%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was driven by a \$99.8 million decrease in hardware revenue primarily due to variable consideration adjustments of \$33.1 million related to parent company guarantees as discussed in Note 3 — *Revenue*, and a \$66.7 million decrease primarily the result of a decrease in demand for hardware systems and extensions of certain project-related timelines. Services and other revenue decreased by \$1.1 million primarily due to a decrease in solar subscription services revenue from existing and new customers.

Cost of Revenue

Cost of revenue decreased by \$73.2 million, or 50%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was primarily driven by a decrease in cost of hardware revenue of \$70.9 million due to a reduction in cost of materials as a result of improved lithium prices and a change in the mix of hardware and service offerings. Cost of services and other revenue also decreased by \$2.3 million primarily due to providing services at reduced costs.

Operating Expenses

Sales and Marketing

Sales and marketing expense decreased by \$4.0 million, or 15%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was due to a decrease of \$2.9 million in professional services, mainly from a decrease in advisory services, and office-related expenses as a result of marketing related subscription cancellations, and a decrease of \$1.1 million in personnel related expenses due to a decrease in headcount.

Research and Development

Research and development expense increased by \$1.8 million, or 7%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The increase was due to an increase of \$1.2 million in personnel related expenses as a result of higher headcount and an increase of \$0.7 million in professional services and other expenses.

General and Administrative

General and administrative expense decreased by \$2.3 million, or 6%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The decrease was primarily driven by a decrease of \$1.2 million in personnel related expenses driven by a decrease in stock-based compensation expense and a decrease of \$1.1 million in office-related expenses.

Impairment of Goodwill

During the six months ended June 30, 2024, we recorded an impairment of goodwill of \$547.2 million as the carrying amount of the reporting unit exceeded its fair value.

Other (Expense) Income, Net

Interest Expense, Net

Interest expense, net increased by \$3.7 million, or 64%, for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023. The increase was primarily driven by an increase of \$2.5 million in interest on our convertible notes, and the accretion of the discount on short-term investments of \$1.5 million, partially offset by a decrease of \$0.3 million in interest on financing obligations.

Gain on Extinguishment of Debt, Net

During the six months ended June 30, 2023, we recorded a \$59.4 million gain on extinguishment of debt driven by a \$99.8 million payment to extinguish approximately \$163.0 million aggregate principal amount of our 2028 Convertible Notes. The gain was partially offset by a \$0.3 million loss on extinguishment of debt from repayment of our 2021 Credit Agreement.

Change in Fair Value of Derivative Liability

During the six months ended June 30, 2024, we realized gains of \$1.5 million relating to the settlement of our derivative liability related to customers contracts, as compared to unrealized losses of \$2.6 million during the six months ended June 30, 2023 due to the change in the price per ton of lithium carbonate.

Other Income, Net

Other income, net of \$1.4 million for the six months ended June 30, 2024, was consistent with the six months ended June 30, 2023.

Provision for Income Taxes

During the six months ended June 30, 2024, we recorded a provision for income taxes of \$0.2 million primarily as a result of state income tax expense. During the six months ended June 30, 2023, we recorded a \$0.4 million provision for income taxes primarily as a result of foreign and state income tax expense from the gain on extinguishment of 2028 Convertible Notes during the second quarter of 2023, which was offset by a partial release of our deferred tax asset valuation due to an acquisition during the first quarter of 2023.

Liquidity and Capital Resources

Sources of Liquidity

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities. To meet our payment service obligations, we must have sufficient liquid assets and be able to move funds on a timely basis. Significant factors in the management of liquidity are funds generated from operations, levels of accounts receivable and accounts payable and capital expenditures.

As of June 30, 2024, our principal sources of liquidity were cash and cash equivalents of \$89.6 million, which were held for working capital purposes and for investment growth opportunities. As of June 30, 2024, we had net accounts receivable of \$206.4 million and our working capital, which we define as current assets less current liabilities, was \$143.3 million. We believe that our cash position is sufficient to meet our capital and liquidity requirements for at least the next 12 months.

Our business prospects are subject to risks, expenses, and uncertainties frequently encountered by companies in the early stages of commercial operations. The attainment of profitable operations is dependent upon future events, including obtaining adequate financing to complete our development activities, obtaining adequate supplier relationships, building our customer base, successfully executing our business and marketing strategy and hiring appropriate personnel. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay, or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results, and financial condition.

In the future, we may be required to obtain additional equity or debt financing in order to support our continued capital expenditures and operations, which may not be available on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our business, growth and results of operations.

Our long-term liquidity requirements are linked primarily to the continued extension of the Athena platform and supporting applications, including Athena PowerTrack and the use of our balance sheet to improve the terms and conditions associated with the purchase of energy storage systems from our hardware vendors. While we have plans to potentially expand our geographical footprint beyond our current partnerships and enter into joint ventures, those are not required initiatives to achieve our plans.

Financing Obligations

We have entered into arrangements wherein we finance the cost of energy storage systems via special purpose entities (“SPEs”) we establish with outside investors. These SPEs are not consolidated into our financial statements, but are accounted for as equity method investments. The investors provide us upfront payments through the SPEs. Under these arrangements, the payment by the SPEs to us is accounted for as a borrowing by recording the proceeds received as a financing obligation. The financing obligation is repaid with the future customer payments and incentives received. A portion of the amounts paid to the SPE is allocated to interest expense using the effective interest rate method. Furthermore, we continue to account for the revenues from customer arrangements and incentives and all associated costs despite such systems being legally sold to the SPEs due to our significant continuing involvement in the operations of the energy storage systems. The total financing obligation as of June 30, 2024 was \$62.5 million, of which \$15.1 million was classified as a current liability.

2028 Green Convertible Senior Notes

On November 22, 2021, we sold to Morgan Stanley & Co. LLC, Goldman Sachs & Co. LLC and Barclays Capital Inc, as initial purchasers (the “2021 Initial Purchasers”), and the 2021 Initial Purchasers purchased from us, \$460.0 million aggregate principal amount of our 2028 Convertible Notes, pursuant to a purchase agreement dated as of November 17, 2021, by and between us and the 2021 Initial Purchasers. Our net proceeds from this offering were approximately \$445.7 million, after deducting the 2021 Initial Purchasers’ discounts and commissions and the estimated offering expenses payable by us. The 2028 Convertible Notes will accrue interest payable semi-annually in arrears and will mature on December 1, 2028, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, we may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock. The 2028 Convertible Notes are redeemable for cash at our option at any time given certain conditions. Refer to Note 8 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this Report for additional details regarding this transaction.

On November 17, 2021, in connection with the pricing of the 2028 Convertible Notes, and on November 19, 2021, in connection with the exercise in full by the 2021 Initial Purchasers of their option to purchase additional 2028 Convertible Notes, we entered into capped call transactions with certain of the 2021 Initial Purchasers of the 2028 Convertible Notes to minimize the potential dilution to our common stockholders upon conversion of the 2028 Convertible Notes. We used approximately \$66.7 million of the net proceeds from the 2028 Convertible Notes to pay the cost of the capped call transactions described above. We intend to allocate an amount equivalent to the net proceeds from this offering to finance or refinance, in whole or in part, our existing or new eligible green expenditures, including investments related to creating a more resilient clean energy system, optimized software capabilities for energy systems, and reducing waste through operations.

On April 3, 2023, we used approximately \$99.8 million of the net proceeds from the issuance of the 4.25% Green Convertible Senior Notes due 2030 (“2030 Convertible Notes”) to purchase and surrender for cancellation approximately \$163.0 million in aggregate principal amount of our 2028 Convertible Notes. See Note 8 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this Report for additional details regarding this transaction.

2030 Convertible Notes

On April 3, 2023, we issued \$240.0 million aggregate principal amount of our 2030 Convertible Notes in a private placement offering to qualified institutional buyers (the “2023 Initial Purchasers”) pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2030 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 4.25% per year, payable in cash semi-annually in arrears in April and October of each year, beginning in October 1, 2023. The 2030 Convertible Notes will mature on April 1, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, we may choose to pay or deliver cash, shares of common stock or a combination of cash and shares of common stock. The 2030 Convertible Notes are redeemable for cash at our option at any time given certain conditions. See Note 8 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this Report, for additional details regarding this transaction.

Our net proceeds from this offering were approximately \$232.4 million, after deducting for \$7.6 million of debt issuance costs primarily consisting of underwriters, advisory, legal, and accounting fees. We used approximately \$99.8 million of the net proceeds to purchase and surrender for cancellation approximately \$163.0 million aggregate principal amount of our 2028 Convertible Notes.

On March 29, 2023 and March 31, 2023, in connection with the pricing of the 2030 Convertible Notes, and on April 3, 2023, in connection with the exercise in full by the 2023 Initial Purchasers of their option to purchase additional 2030 Convertible Notes, we entered into Capped Calls (the “2030 Capped Calls”) with certain counterparties. We used \$27.8 million of the net proceeds from the 2030 Convertible Notes to pay the cost of the 2030 Capped Calls.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2024	2023
Net cash used in operating activities	\$ (12,507)	\$ (201,239)
Net cash provided by investing activities	1,465	88,469
Net cash (used in) provided by financing activities	(4,185)	100,279
Effect of exchange rate changes on cash, cash equivalents and restricted cash	187	(7)
Net increase in cash, cash equivalents and restricted cash	<u>\$ (15,040)</u>	<u>\$ (12,498)</u>

Operating Activities

During the six months ended June 30, 2024, net cash used in operating activities was \$12.5 million, primarily due to our net loss of \$654.6 million, adjusted for non-cash items of \$586.7 million and net cash inflow of \$55.4 million from changes in operating assets and liabilities. Non-cash items primarily consisted of depreciation and amortization of \$22.2 million, non-cash interest expense of \$1.0 million related to debt issuance costs, stock-based compensation expense of \$15.2 million, non-cash lease expense of \$1.5 million, impairment of energy storage systems of \$0.1 million, impairment of right-of-use assets of \$2.1 million, impairment of goodwill of \$547.2 million and other non-cash items of \$0.4 million, partially offset by a change in fair value of derivative liability of \$1.5 million, and a provision for accounts receivable allowance of \$1.5 million. The net cash inflow from changes in operating assets and liabilities was primarily driven by a decrease in accounts receivable of \$97.8 million partially from a \$33.1 million variable consideration adjustment, a decrease in deferred costs with suppliers of \$0.4 million, a decrease in other assets of \$0.7 million, and an increase in deferred revenue of \$4.3 million, partially offset by an increase in inventory of \$6.5 million, an increase in contract origination costs of \$0.7 million, an increase in project assets of

\$10.8 million, a decrease in accounts payable of \$14.9 million, a decrease in accrued expenses and other liabilities of \$13.3 million, and a decrease in lease liabilities of \$1.5 million.

During the six months ended June 30, 2023, net cash used in operating activities was \$201.2 million, primarily due to our net loss of \$25.7 million, adjusted by non-cash charges of \$10.8 million and net cash outflow of \$164.8 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of a gain on extinguishment of debt, net of \$59.1 million, net accretion of the discount on investments of \$1.3 million, an income tax benefit of \$0.3 million, and other non-cash items of \$0.4 million, partially offset by depreciation and amortization of \$22.4 million, non-cash interest expense of \$1.6 million, related to debt issuance costs, stock-based compensation expense of \$17.1 million, change in fair value of derivative liability of \$2.6 million, impairment of energy storage systems of \$2.1 million, non-cash lease expense of \$1.4 million, provision for accounts receivable allowance of \$1.7 million, and net recognized loss on investments of \$1.6 million. The net cash outflow from changes in operating assets and liabilities was primarily driven by an increase in accounts receivable of \$72.2 million, an increase in inventory of \$137.1 million, an increase in other assets of \$17.8 million, an increase in contract origination costs of \$2.3 million, an increase in project assets of \$2.8 million, a decrease in accrued expenses and other liabilities of \$35.1 million, and a decrease in lease liabilities of \$1.3 million, partially offset by a decrease in deferred costs with suppliers of \$28.8 million, for future hardware orders, an increase in accounts payable of \$19.0 million due to the timing of payments, and an increase in deferred revenue of \$56.0 million.

Investing Activities

During the six months ended June 30, 2024, net cash provided by investing activities was \$1.5 million, and primarily consisted of \$8.3 million in proceeds from maturities of available-for-sale investments, partially offset by \$6.6 million in capital expenditures on internally-developed software, and \$0.2 million in purchases of property and equipment.

During the six months ended June 30, 2023, net cash provided by investing activities was \$88.5 million, and primarily consisted of \$100.6 million in net sales of available-for-sale investments, partially offset by \$1.8 million used for an acquisition, net of cash acquired, \$2.6 million in purchases of energy systems, \$7.4 million in capital expenditures on internally-developed software, and \$0.3 million in purchases of property and equipment.

Financing Activities

During the six months ended June 30, 2024, net cash used in financing activities was \$4.2 million, and consisted of the repayment of financing obligations of \$4.2 million.

During the six months ended June 30, 2023, net cash provided by financing activities was \$100.3 million, and primarily consisted of net proceeds from the issuance of convertible notes of \$132.6 million and proceeds from the exercise of stock options of \$0.2 million, partially offset by the purchase of capped calls of \$27.8 million, the repayment of financing obligations of \$2.6 million, a repayment of notes payable of \$2.1 million, and a redemption of non-controlling interests of \$0.1 million.

Contractual Obligations and Commitments

As of June 30, 2024, except for the operating lease liability discussed in Note 12 — *Commitments and Contingencies*, there have been no material changes to our contractual obligations described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent interests, or unconsolidated VIEs that either have, or would reasonably be expected to have, a current or future material adverse effect on our unaudited condensed consolidated financial statements.

Critical Accounting Policies and Estimates

A summary of our critical accounting policies and estimates is presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and there have been no material changes to our critical accounting estimates during the three and six months ended June 30, 2024.

Recent Accounting Pronouncements

As of June 30, 2024, there have been no material changes to the recent accounting pronouncements described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Our exposure to market risk has not changed materially since December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (“Disclosure Controls”) within the meaning of Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Our Disclosure Controls are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms. Our Disclosure Controls are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure.

Based on management’s evaluation (under the supervision and with the participation of our CEO and our CFO) of the effectiveness of the design and operation of our Disclosure Controls as of June 30, 2024, our CEO and CFO have concluded that our Disclosure Controls were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the second quarter of 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Internal Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Furthermore, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in business conditions or deterioration in the degree of compliance with policies or procedures.

Part II - Other Information

ITEM 1. LEGAL PROCEEDINGS

The information with respect to this Item 1 is set forth under Note 12 — *Commitments and Contingencies*, of the Notes to the unaudited condensed consolidated financial statements in this Report.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Part 1, Item 1A, “Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(c) *Trading Plans*. During the three months ended June 30, 2024, no Section 16 officer or director of the Company adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c), or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K promulgated under the Exchange Act).

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation, dated April 28, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 4, 2021).
3.2	Amended and Restated Bylaws, dated October 27, 2022 (incorporated by reference to Exhibit 3 to the Current Report on Form 8-K filed on October 31, 2022).
10.1	Stem, Inc. 2024 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-8 filed on May 29, 2024).
10.2*	Form of Stock Option Agreement under the Stem, Inc. 2009 Equity Incentive Plan
10.3*	Form of Stock Option Agreement under the Stem, Inc. 2021 Equity Incentive Plan
10.4*	Form of Stock Option Agreement under the Stem, Inc. 2024 Equity Incentive Plan
31.1*	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*Filed herewith

**Furnished herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized on August 6, 2024.

STEM, INC.

By: /s/ William Bush
 William Bush
 Chief Financial Officer
 (Principal Financial Officer)

STEM, INC.

2009 EQUITY INCENTIVE PLAN STOCK OPTION

AGREEMENT

Unless otherwise defined herein, the terms defined in the 2009 Equity Incentive Plan (the "Plan") shall have the same defined meanings in this Stock Option Agreement (the "Option Agreement").

I. NOTICE OF STOCK OPTION GRANT**Name:**

The undersigned Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:

Exercise Price per Share:

Total Number of Shares Granted:

Type of Option: Incentive Stock Option (ISO) Nonstatutory Stock Option (NSO)

Term/Expiration Date:

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule, subject to such Participant's Continuous Service through each applicable vesting date:

Please refer to Appendix: Vesting Schedule

Termination Period:

Vested Option shall be exercisable for three (3) months after Participant's Continuous Service ceases, unless such cessation is due to Participant's death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant's Continuous Service ceases. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

II. AGREEMENT

1. Grant of Option. The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement ("Participant"), an option (the "Option") to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the "Exercise Price"), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to

Section 18 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option (“ISO”), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option (“NSO”). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice (the “Exercise Notice”) in a manner and pursuant to such procedures as the Company may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

3. Clawback Policy. Participant hereby acknowledges that if he or she is covered by the Company’s policy on recoupment of certain incentive-based compensation, as amended from time to time (the “Clawback Policy”), such policy may result in the recoupment of the Options awarded hereunder, any Common Stock delivered hereunder, and any profits realized on the sale of such Common Stock either before, on or after the date on which Participant becomes subject to such policy. In addition, by acceptance of this award, Participant agrees that any prior awards that have been issued to him or her pursuant to the Plan or any other incentive plan of the Company are subject to the Clawback Policy.

4. Lock-Up Period. Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences

of ownership of any Common Stock (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

(a) cash;

(b) check;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Company, shall not result in any adverse accounting consequences to the Company.

6. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable law.

7. Non-Transferability of Option.

(a) This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by

Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

8. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

9. Change in Control.

(a) At the time of a Change in Control (as defined in the Plan), if this Option is not assumed or otherwise continued in effect in connection with the Change in Control (or is not replaced with an economically equivalent award or cash incentive program), then the unvested portion of this Option will immediately vest and become exercisable prior to the closing of the Change in Control. Any Shares issued upon exercise of this Option shall be converted into the right to receive, for each such Share, the same consideration per Share payable to the other stockholders of the Company upon consummation of that Change in Control, and such consideration per Share shall be distributed to Participant as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such Change in Control occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such Change in Control.

(b) Any portion of this Option that is to be assumed or otherwise continued in effect in connection with the Change in Control (or is to be replaced with an economically equivalent award or cash retention program) shall be subject to accelerated vesting in accordance with the following provision:

- If Participant's Employee status is unilaterally terminated as a result of an involuntary termination (other than for death or Disability) without Cause, or if Participant resigns from such Employee status due to Constructive Termination, at any time during the period beginning with the execution date of the definitive agreement for that Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, then Participant shall immediately vest in all the unvested portion of this Option (or any replacement securities or cash proceeds) at the time subject to this Award. The Shares (or any replacement securities or cash proceeds) that are issuable upon exercise of this Option shall be issued or distributed on the date of Participant's separation from the Company in connection with such termination of Employee status or as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such separation occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such separation.
- "Applicable Acceleration Period" means: (i) 24 months, in the case of the Company's Chief Executive Officer, (ii) 18 months, in the case of any other executive officer of the Company, and (iii) 12 months, in the case of all other grantees of Options, or (in the cases of (i), (ii), and (iii)) such other period(s) as may be determined by the Administrator on the basis of Participant's status on the Change in Control date.
- "Constructive Termination" means the occurrence of any of the following events or conditions: (i) (A) a change in the Participant's status, title, position or responsibilities

(including reporting responsibilities) which represents an adverse change from the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control; (B) the assignment to the Participant of any duties or responsibilities which are inconsistent with the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control; or (C) any removal of the Participant from or failure to reappoint or reelect the Participant to any of the offices or positions held by the Participant immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control, except in connection with the termination of the Participant for Cause, as a result of the Participant's Disability or death or by the Participant other than as a result of Constructive Termination; (ii) a reduction in the Participant's annual base compensation or any failure to pay the Participant any compensation or benefits to which the Participant is entitled within five days of the date due; (iii) the Company's requiring the Participant to relocate to any place outside a 50 mile radius of the location serving as Participant's principal work site immediately prior to the execution of the definitive agreement for the Change in Control transaction or during the Applicable Acceleration Period after the date of a Change in Control, except for reasonably required travel on the business of the Company which is not materially greater than such travel requirements in effect during the applicable measurement period determined above; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Participant was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Participant, or (B) provide the Participant with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided the Participant under each other employee benefit plan, program and practice in which he or she was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any within the Applicable Acceleration Period after the Change in Control; (v) any material breach by the Company of any provision of an agreement between the Company and the Participant, whether pursuant to this Plan or otherwise, other than a breach which is cured by the Company within 15 days following notice by the Participant of such breach; or (vi) the failure of the Company to obtain an agreement, satisfactory to the Participant, from any successors and assigns to assume and agree to perform the obligations created under the Plan.

10. Tax Obligations.

(a) Tax Withholding. Participant agrees to make appropriate arrangements with the Company (or the parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

11. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Option Agreement is governed by the internal substantive laws but not the choice of law rules of California.

12. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

Signature:

Print Name:

Title:

STEM, INC.

2021 EQUITY INCENTIVE PLAN STOCK OPTION

AGREEMENT

Unless otherwise defined herein, the terms defined in the 2021 Equity Incentive Plan (the “Plan”) shall have the same defined meanings in this Stock Option Agreement (the “Option Agreement”).

I. NOTICE OF STOCK OPTION GRANT

Name:

The undersigned Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:

Exercise Price per Share:

Total Number of Shares Granted:

Type of Option: Incentive Stock Option (ISO)

Nonstatutory Stock Option (NSO)

Term/Expiration Date:

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule, subject to such Participant’s Continuous Service through each applicable vesting date:

Please refer to Appendix: Vesting Schedule

Termination Period:

Vested Option shall be exercisable for three (3) months after Participant’s Continuous Service ceases, unless such cessation is due to Participant’s death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant’s Continuous Service ceases. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

II. AGREEMENT

1. Grant of Option. The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement (“Participant”), an option (the “Option”) to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “Exercise Price”), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to

Section 18 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option (“ISO”), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option (“NSO”). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice (the “Exercise Notice”) in a manner and pursuant to such procedures as the Company may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

3. Clawback Policy. Participant hereby acknowledges that if he or she is covered by the Company’s policy on recoupment of certain incentive-based compensation, as amended from time to time (the “Clawback Policy”), such policy may result in the recoupment of the Options awarded hereunder, any Common Stock delivered hereunder, and any profits realized on the sale of such Common Stock either before, on or after the date on which Participant becomes subject to such policy. In addition, by acceptance of this award, Participant agrees that any prior awards that have been issued to him or her pursuant to the Plan or any other incentive plan of the Company are subject to the Clawback Policy.

4. Lock-Up Period. Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences

of ownership of any Common Stock (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

(a) cash;

(b) check;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(d) surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Company, shall not result in any adverse accounting consequences to the Company.

6. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable law.

7. Non-Transferability of Option.

(a) This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by

Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

8. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

9. Change in Control.

(a) At the time of a Change in Control (as defined in the Plan), if this Option is not assumed or otherwise continued in effect in connection with the Change in Control (or is not replaced with an economically equivalent award or cash incentive program), then the unvested portion of this Option will immediately vest and become exercisable prior to the closing of the Change in Control. Any Shares issued upon exercise of this Option shall be converted into the right to receive, for each such Share, the same consideration per Share payable to the other stockholders of the Company upon consummation of that Change in Control, and such consideration per Share shall be distributed to Participant as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such Change in Control occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such Change in Control.

(b) Any portion of this Option that is to be assumed or otherwise continued in effect in connection with the Change in Control (or is to be replaced with an economically equivalent award or cash retention program) shall be subject to accelerated vesting in accordance with the following provision:

- If Participant's Employee status is unilaterally terminated as a result of an involuntary termination (other than for death or Disability) without Cause, or if Participant resigns from such Employee status due to Constructive Termination, at any time during the period beginning with the execution date of the definitive agreement for that Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, then Participant shall immediately vest in all the unvested portion of this Option (or any replacement securities or cash proceeds) at the time subject to this Award. The Shares (or any replacement securities or cash proceeds) that are issuable upon exercise of this Option shall be issued or distributed on the date of Participant's separation from the Company in connection with such termination of Employee status or as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such separation occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such separation.
- "Applicable Acceleration Period" means: (i) 24 months, in the case of the Company's Chief Executive Officer, (ii) 18 months, in the case of any other executive officer of the Company, and (iii) 12 months, in the case of all other grantees of Options, or (in the cases of (i), (ii), and (iii)) such other period(s) as may be determined by the Administrator on the basis of Participant's status on the Change in Control date.
- "Constructive Termination" means the occurrence of any of the following events or conditions: (i) (A) a change in the Participant's status, title, position or responsibilities

(including reporting responsibilities) which represents an adverse change from the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control; (B) the assignment to the Participant of any duties or responsibilities which are inconsistent with the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control; or (C) any removal of the Participant from or failure to reappoint or reelect the Participant to any of the offices or positions held by the Participant immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control, except in connection with the termination of the Participant for Cause, as a result of the Participant's Disability or death or by the Participant other than as a result of Constructive Termination; (ii) a reduction in the Participant's annual base compensation or any failure to pay the Participant any compensation or benefits to which the Participant is entitled within five days of the date due; (iii) the Company's requiring the Participant to relocate to any place outside a 50 mile radius of the location serving as Participant's principal work site immediately prior to the execution of the definitive agreement for the Change in Control transaction or during the Applicable Acceleration Period after the date of a Change in Control, except for reasonably required travel on the business of the Company which is not materially greater than such travel requirements in effect during the applicable measurement period determined above; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Participant was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Participant, or (B) provide the Participant with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided the Participant under each other employee benefit plan, program and practice in which he or she was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any within the Applicable Acceleration Period after the Change in Control; (v) any material breach by the Company of any provision of an agreement between the Company and the Participant, whether pursuant to this Plan or otherwise, other than a breach which is cured by the Company within 15 days following notice by the Participant of such breach; or (vi) the failure of the Company to obtain an agreement, satisfactory to the Participant, from any successors and assigns to assume and agree to perform the obligations created under the Plan.

10. Tax Obligations.

(a) Tax Withholding. Participant agrees to make appropriate arrangements with the Company (or the parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

11. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Option Agreement is governed by the internal substantive laws but not the choice of law rules of California.

12. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

Signature:

Print Name: Title:

STEM, INC.

2024 EQUITY INCENTIVE PLAN STOCK OPTION

AGREEMENT

Unless otherwise defined herein, the terms defined in the 2024 Equity Incentive Plan (the “Plan”) shall have the same defined meanings in this Stock Option Agreement (the “Option Agreement”).

I. NOTICE OF STOCK OPTION GRANT**Name:**

The undersigned Participant has been granted an Option to purchase Common Stock of the Company, subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Date of Grant:

Exercise Price per Share:

Total Number of Shares Granted:

Type of Option: Incentive Stock Option (ISO)

Nonstatutory Stock Option (NSO)

Term/Expiration Date:

Vesting Schedule:

This Option shall be exercisable, in whole or in part, according to the following vesting schedule, subject to such Participant’s Continuous Service through each applicable vesting date:

Please refer to Appendix: Vesting Schedule

Termination Period:

Vested Option shall be exercisable for three (3) months after Participant’s Continuous Service ceases, unless such cessation is due to Participant’s death or Disability, in which case this Option shall be exercisable for twelve (12) months after Participant’s Continuous Service ceases. Notwithstanding the foregoing sentence, in no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in the Plan.

II. AGREEMENT

1. Grant of Option. The Administrator of the Company hereby grants to the Participant named in the Notice of Stock Option Grant in Part I of this Agreement (“Participant”), an option (the “Option”) to purchase the number of Shares set forth in the Notice of Stock Option Grant, at the exercise price per Share set forth in the Notice of Stock Option Grant (the “Exercise Price”), and subject to the terms and conditions of the Plan, which is incorporated herein by reference. Subject to

Section 18 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Option Agreement, the terms and conditions of the Plan shall prevail.

If designated in the Notice of Stock Option Grant as an Incentive Stock Option (“ISO”), this Option is intended to qualify as an Incentive Stock Option as defined in Section 422 of the Code. Nevertheless, to the extent that it exceeds the \$100,000 rule of Code Section 422(d), this Option shall be treated as a Nonstatutory Stock Option (“NSO”). Further, if for any reason this Option (or portion thereof) shall not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event shall the Administrator, the Company or any Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

2. Exercise of Option.

(a) Right to Exercise. This Option shall be exercisable during its term in accordance with the Vesting Schedule set out in the Notice of Stock Option Grant and with the applicable provisions of the Plan and this Option Agreement.

(b) Method of Exercise. This Option shall be exercisable by delivery of an exercise notice (the “Exercise Notice”) in a manner and pursuant to such procedures as the Company may determine, which shall state the election to exercise the Option, the number of Shares with respect to which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares, together with any applicable tax withholding. This Option shall be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price, together with any applicable tax withholding.

No Shares shall be issued pursuant to the exercise of an Option unless such issuance and such exercise comply with applicable laws. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to Participant on the date on which the Option is exercised with respect to such Shares.

3. Clawback Policy. Participant hereby acknowledges that if he or she is covered by the Company’s policy on recoupment of certain incentive-based compensation, as amended from time to time (the “Clawback Policy”), such policy may result in the recoupment of the Options awarded hereunder, any Common Stock delivered hereunder, and any profits realized on the sale of such Common Stock either before, on or after the date on which Participant becomes subject to such policy. In addition, by acceptance of this award, Participant agrees that any prior awards that have been issued to him or her pursuant to the Plan or any other incentive plan of the Company are subject to the Clawback Policy.

4. Lock-Up Period. Participant hereby agrees that Participant shall not offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Common Stock (or other securities) of the Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences

of ownership of any Common Stock (or other securities) of the Company held by Participant (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed one hundred and eighty (180) days following the effective date of any registration statement of the Company filed under the Securities Act (or such other period as may be requested by the Company or the underwriters to accommodate regulatory restrictions on (i) the publication or other distribution of research reports and (ii) analyst recommendations and opinions, including, but not limited to, the restrictions contained in NASD Rule 2711(f)(4) or NYSE Rule 472(f)(4), or any successor provisions or amendments thereto).

Participant agrees to execute and deliver such other agreements as may be reasonably requested by the Company or the underwriter which are consistent with the foregoing or which are necessary to give further effect thereto. In addition, if requested by the Company or the representative of the underwriters of Common Stock (or other securities) of the Company, Participant shall provide, within ten (10) days of such request, such information as may be required by the Company or such representative in connection with the completion of any public offering of the Company's securities pursuant to a registration statement filed under the Securities Act. The obligations described in this Section 4 shall not apply to a registration relating solely to employee benefit plans on Form S-1 or Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said one hundred and eighty (180) day (or other) period. Participant agrees that any transferee of the Option or shares acquired pursuant to the Option shall be bound by this Section 4.

5. Method of Payment. Payment of the aggregate Exercise Price shall be by any of the following, or a combination thereof, at the election of the Participant:

a. cash;

b. check;

c. consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

d. surrender of other Shares which (i) shall be valued at its Fair Market Value on the date of exercise, and (ii) must be owned free and clear of any liens, claims, encumbrances or security interests, if accepting such Shares, in the sole discretion of the Company, shall not result in any adverse accounting consequences to the Company.

6. Restrictions on Exercise. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable law.

7. Non-Transferability of Option.

(a) This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by

Participant. The terms of the Plan and this Option Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of Participant.

8. Term of Option. This Option may be exercised only within the term set out in the Notice of Stock Option Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

9. Change in Control.

(a) At the time of a Change in Control (as defined in the Plan), if this Option is not assumed or otherwise continued in effect in connection with the Change in Control (or is not replaced with an economically equivalent award or cash incentive program), then the unvested portion of this Option will immediately vest and become exercisable prior to the closing of the Change in Control. Any Shares issued upon exercise of this Option shall be converted into the right to receive, for each such Share, the same consideration per Share payable to the other stockholders of the Company upon consummation of that Change in Control, and such consideration per Share shall be distributed to Participant as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such Change in Control occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such Change in Control.

(b) Any portion of this Option that is to be assumed or otherwise continued in effect in connection with the Change in Control (or is to be replaced with an economically equivalent award or cash retention program) shall be subject to accelerated vesting in accordance with the following provision:

- If Participant's Employee status is unilaterally terminated as a result of an involuntary termination (other than for death or Disability) without Cause, or if Participant resigns from such Employee status due to Constructive Termination, at any time during the period beginning with the execution date of the definitive agreement for that Change in Control transaction and ending with the earlier of (i) the termination of that definitive agreement without the consummation of such Change in Control or (ii) the expiration of the Applicable Acceleration Period following the consummation of such Change in Control, then Participant shall immediately vest in all the unvested portion of this Option (or any replacement securities or cash proceeds) at the time subject to this Award. The Shares (or any replacement securities or cash proceeds) that are issuable upon exercise of this Option shall be issued or distributed on the date of Participant's separation from the Company in connection with such termination of Employee status or as soon as administratively practicable thereafter, but in no event later than the *later* of (i) the close of the calendar year in which such separation occurs or (ii) the fifteenth (15th) day of the third (3rd) calendar month following the date of such separation.
- "Applicable Acceleration Period" means: (i) 24 months, in the case of the Company's Chief Executive Officer, (ii) 18 months, in the case of any other executive officer of the Company, and (iii) 12 months, in the case of all other grantees of Options, or (in the cases of (i), (ii), and (iii)) such other period(s) as may be determined by the Administrator on the basis of Participant's status on the Change in Control date.
- "Constructive Termination" means the occurrence of any of the following events or conditions: (i) (A) a change in the Participant's status, title, position or responsibilities

(including reporting responsibilities) which represents an adverse change from the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control; (B) the assignment to the Participant of any duties or responsibilities which are inconsistent with the Participant's status, title, position or responsibilities as in effect immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control; or (C) any removal of the Participant from or failure to reappoint or reelect the Participant to any of the offices or positions held by the Participant immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the date of a Change in Control, except in connection with the termination of the Participant for Cause, as a result of the Participant's Disability or death or by the Participant other than as a result of Constructive Termination; (ii) a reduction in the Participant's annual base compensation or any failure to pay the Participant any compensation or benefits to which the Participant is entitled within five days of the date due; (iii) the Company's requiring the Participant to relocate to any place outside a 50 mile radius of the location serving as Participant's principal work site immediately prior to the execution of the definitive agreement for the Change in Control transaction or during the Applicable Acceleration Period after the date of a Change in Control, except for reasonably required travel on the business of the Company which is not materially greater than such travel requirements in effect during the applicable measurement period determined above; (iv) the failure by the Company to (A) continue in effect (without reduction in benefit level and/or reward opportunities) any material compensation or employee benefit plan in which the Participant was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any time within the Applicable Acceleration Period after the Change in Control, unless such plan is replaced with a plan that provides substantially equivalent compensation or benefits to the Participant, or (B) provide the Participant with compensation and benefits, in the aggregate, at least equal (in terms of benefit levels and/or reward opportunities) to those provided the Participant under each other employee benefit plan, program and practice in which he or she was participating at any time within the 90-day period immediately prior to the execution of the definitive agreement for the Change in Control transaction or at any within the Applicable Acceleration Period after the Change in Control; (v) any material breach by the Company of any provision of an agreement between the Company and the Participant, whether pursuant to this Plan or otherwise, other than a breach which is cured by the Company within 15 days following notice by the Participant of such breach; or (vi) the failure of the Company to obtain an agreement, satisfactory to the Participant, from any successors and assigns to assume and agree to perform the obligations created under the Plan.

10. Tax Obligations.

(a) Tax Withholding. Participant agrees to make appropriate arrangements with the Company (or the parent or Subsidiary employing or retaining Participant) for the satisfaction of all Federal, state, local and foreign income and employment tax withholding requirements applicable to the Option exercise. Participant acknowledges and agrees that the Company may refuse to honor the exercise and refuse to deliver the Shares if such withholding amounts are not delivered at the time of exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant shall immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

11. Entire Agreement; Governing Law. The Plan is incorporated herein by reference. The Plan and this Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to the Participant's interest except by means of a writing signed by the Company and Participant. This Option Agreement is governed by the internal substantive laws but not the choice of law rules of California.

12. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

Participant acknowledges receipt of a copy of the Plan and represents that he or she is familiar with the terms and provisions thereof, and hereby accepts this Option subject to all of the terms and provisions thereof. Participant has reviewed the Plan and this Option in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option and fully understands all provisions of the Option. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or this Option. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

Signature:

Print Name: Title:

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John Carrington, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended June 30, 2024 of Stem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

STEM, INC.

Date: August 6, 2024

By: /s/ John Carrington
Name: John Carrington
Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William Bush, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended June 30, 2024 of Stem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

STEM, INC.

Date: August 6, 2024

By: /s/ William Bush
Name: William Bush
Title: Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Stem, Inc. (the "Company") for the three months ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Carrington, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the registrant.

STEM, INC.

Date: August 6, 2024

By: /s/ John Carrington

Name: John Carrington

Title: Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Stem, Inc. (the "Company") for the three months ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the registrant.

STEM, INC.

Date: August 6, 2024

By: /s/ William Bush
Name: William Bush
Title: Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.