

**Hyzon Motors Inc.
Q2 2023 Earnings Conference Call
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CORPORATE PARTICIPANTS

Henry Kwon – *Head of Investor Relations*

Parker Meeks – *Chief Executive Officer*

Bappa Banerjee – *Chief Operating Officer*

Jiajia Wu – *Interim Chief Financial Officer*

Operator

Good morning, and welcome to the Hyzon Motors Second Quarter 2023 Earnings Conference Call. Please note that this call is being recorded. (Operator Instructions) I would now like to turn today's call over to Henry Kwon, Head of Investor Relations. Please go ahead.

Henry Kwon, Head of Investor Relations, Hyzon Motors Inc.

Thank you operator, and good morning everyone. Welcome to Hyzon Motors' Q2 2023 Earnings Call. With me on the call today are Parker Meeks, Chief Executive Officer, Bappa Banerjee, Chief Operating Officer, and Jiajia Wu, Interim Chief Financial Officer.

The Press Release detailing our financial results was this morning. The release can be found on the Investor Relations section of the company's website with presentation slides accompanying today's call. Today's discussions include references to non-GAAP measures. These measures are reconciled to the most comparable U.S. GAAP measures and can be found at the end of the Q2 earnings press release we issued today.

This morning's discussions also include forward-looking statements about our future plans and expectations. Actual results may differ materially from those stated and factors that could cause actual results to differ are also explained in the forward-looking statements at the end of today's earnings press release and the forward looking statements on page two of our earnings presentation. Forward-looking statements speak only as of the date on which they are made. You are cautioned not to put undue reliance on forward-looking statements.

Before I turn over the call, I would just like to provide an update on an upcoming IR event this week in New York. On Thursday, August 10, Parker will be doing a Fireside Chat at the JP Morgan Automotive Conference with analyst Bill Peterson at 11:00am Eastern. With that, I will hand the discussion over to Parker.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Good morning everyone, and thank you for taking the time to join our call today.

Hyzon remains steadfast in its mission to accelerate the global clean energy transition by developing and commercializing our zero-emission fuel cell technology as quickly as possible. I am excited by the significant strides we have made to date, both in the advancement of our 200kW fuel cell technology and in the commercialization of our heavy-duty fuel cell electric truck platforms.

As I mentioned on our Q1 earnings call, Hyzon has been hard at work streamlining our vehicle offerings, operations, and geographies to support this fuel cell commercialization focus through our asset-light vehicle assembly model. Today, we are progressing toward commercialization of our FCEV truck platforms – the Conventional platform developed in the US, the Cabover platform developed in Europe and the Rigid platform developed in Australia. We are grateful to our customers for continued commercial progress on these platforms over the past quarter.

We have made significant progress against our previous guidance of 10-20 vehicles deployed under commercial agreements in 2023. As of end-Q2 2023, we had already deployed 7 vehicles under commercial agreements to customers in 2023 and have deployed an additional 3 vehicles between July 1st and August 7th, for a total of 10 vehicles to date. Of those vehicles, three were deployed to customers in Europe, while seven coach buses were deployed to a customer in Australia and are currently in the process of completing final site acceptance steps. We have also collected \$2.9 million in cash receipts year to date against those vehicles deployed commercially in 2023.

We are pleased to have already met the bottom end of our guidance range, and are increasingly confident about our potential to meet the upper end of the previous guidance range, although risks remain including our customers' ability to permit, install and commission on-site fueling prior to the vehicles being delivered and ongoing supply chain risks.

As we discussed in our Q1 earnings call, we are focused on large fleet customers in each region, working collaboratively with each to frame a multi-year commercial delivery structure post-trial and tailoring the commercial framework to balance risk-sharing, particularly in the first-year's allotment of Hyzon trucks deployed under that agreement. These collaborative first-year commercial structures vary between direct sales, sales with buyback provisions, sales conditional on successful trials, unpaid trials, paid trials, and others. To provide transparency, as we move forward, we will refer to all cash-generating contracts as commercial orders, commercial trials, or commercial deployments in line with those variations. We will also focus equally on cash received along with revenue recognition, as the timing and nature of that revenue recognition will vary depending on the nature of the first-year vehicle supply risk sharing arrangement.

Diving into specific regions, in the U.S., we announced a commercial agreement with Performance Food Group, or PFG, one of the largest food and food-service distribution companies in North America. If all tranches and options are executed, this agreement has a potential for up to 50 vehicles. The first five trucks, powered by Hyzon's Class 8 110kW fuel cell system, are still on-track to be delivered by year-end.

Our trial program in North America has also continued to expand and progress our focus potential fleet customers through our development pipeline. As we recently updated, we have now completed 15 trials in North America since March of 2022, with 7 completed in 2023. We have accumulated over 40 thousand miles on our Conventional truck platform in customer trial and track testing, providing us with important experience and learnings from real world operations across a broad range of use cases and fleet operators, maturing our FCEV platform even further for future deployments as we move into production.

As discussed on our Q1 earnings call, in Europe we recently deployed our first Cabover 120kW 4x2 vehicles under full commercial agreements into trial to start, activating our commercial relationships with Hylane in Germany and Juve in Austria. In Q2, we deployed 1 additional vehicle as part of these commercial trials for a total of 3 Hyzon FCEVs in European commercial trials at the end of Q2, and we anticipate deploying up to another 6 FCEVs in 2H 2023 in Europe as we transition toward the next generation 200kW FCEV Cabover. Additionally, our Cabover FCEVs have accumulated a total of over 20 thousand miles in customer operations and track testing since February 2023, building experience across our expanding customer deployed and internal testing vehicle fleet.

Shifting from our vehicle progress to our core fuel cell technology focus. We are proud of the progress we have already made at our US fuel cell system production facility in Bolingbrook, IL, which is advancing well into prototype production today and remains on track for Start of Production, or "SOP", of our 200kW fuel cell system in 2024.

When we last spoke, I mentioned a major priority of ours was to assemble and test nine fuel cell systems at a B-Sample stage by the end of Q2. I am incredibly proud that we recently announced the successful completion and factory acceptance testing of these nine single-stack 200kW Fuel Cell System (FCS) B-samples. This achievement shows growth in the company's prototype assembly rate, as we produced 3 units in Q1, 6 units in Q2, and are on track to produce 16 additional units in the second half of this year, bringing the full-year total to 25 in 2023.

In part, we were able to achieve this production efficiency improvement by successfully commissioning Hyzon's proprietary, automated roll-to-roll Membrane Electrode Assembly production line, the semi-automated single cell manufacturing line, and the fully automated fuel cell stack manufacturing line. Progression of the 200kW fuel cell system, or FCS B-samples validates the design, equipment, and operating procedures, which are all critical to the final tooling and production of C-samples and the eventual commercialization of the FCS.

Pivoting to events announced after quarter end, we achieved several additional important updates and milestones in governance and commercialization of our vehicle platforms.

Last week, we achieved another major milestone: we completed our first U.S. 110kW truck built with production tooled components. The vehicle is now progressing to the test track in Michigan for durability testing. With this vehicle, our U.S. 110kW truck program moved from prototype to production. This achievement – completed in collaboration with Hyzon's third-party assembly partner, Fontaine Modification – launches Hyzon's truck production for customers in North America and starts the transition to at-scale assembly with Fontaine. By working to

commercialize the 110kW vehicle in the near-term, we are building experience and know-how with Fontaine and our customers. And internally, we're creating a foundation from which to accelerate our 200kW vehicle commercialization and deployments. As a reminder, our 200kW FCEV program is currently in prototype track testing, on track for commercial SOP in 2024.

We also continued to strengthen our governance, finance, and accounting operations with the appointment of Matthew Foulston to our Board of Directors. He serves as Chair of the Audit Committee and as a member of the Compensation Committee. Matthew is a seasoned financial executive, having served as CFO for three publicly listed companies throughout his career. He also brings extensive international expertise, with more than 30 years of experience working globally across the automotive/commercial truck, mining, and other sectors. We believe his financial experience in the heavy-duty trucking industry will provide invaluable guidance as we further strengthen our governance, finance, and accounting operations.

Hyzon intends to be an integral player as the world pivots to clean energy. We are excited by our progress thus far, the milestones we have achieved, and the upcoming milestones we are closing in on.

As we sit here today, we are working towards several exciting milestones to drive Hyzon's single stack 200kW FCS technology to commercialization for the rest of 2023, including:

- Delivering our first commercial Class 8 Hyzon FCEV to a major U.S. fleet customer;
- Producing and validating 25 200kW fuel cell B-Samples;
- Declaring C-Sample of the 200kW fuel cell system; and
- Executing additional commercial agreements with major fleet customers in the US and Europe.

As we mentioned last quarter, we are focused on efficiency, cash preservation and expense control. We must ensure we are taking a balanced, prudent approach to cash management while continuing to develop and commercialize our proprietary single stack 200kW fuel cell system, which we see as a true technology, product performance and economic advantage, and driving commercialization of our heavy-duty fuel cell truck platforms. As we mentioned last quarter, we have already taken several important steps in simplifying our strategic focus and operational footprint, which our COO, Dr. Bappa Banerjee, will expand upon later in this call.

I'd like to spend a moment discussing our outlook for expenses, on which both Bappa and Jiajia will go into greater detail. As we look to the second half of the year, we expect to minimize headcount additions and see lower expenses relating to legal, consulting and accounting fees. So, while the ultimate timing and outcome of the ongoing SEC investigations remain unclear, on a normalized, recurring basis, we should expect to see a clear improvement from the SG&A and R&D expenses seen in 1H 2023 and 2H 2022. In 2024 we will target bringing down our annual net cash outflow to a range of \$110 to \$120 million for the full year from the additional cost efficiencies we are now driving under the additional simplification and restructuring efforts Bappa will outline in more detail today. We will come back to you with a more detailed guidance for FY 2024 as we close 2023.

In the meantime, market conditions remain volatile, but as always, we remain opportunistic and proactive. We further continue to review all options available to us to raise additional capital, including full merger and acquisition, while seeking to minimize dilution and to maximize value for our shareholders. We are focusing our efforts on strategic investors and partners who are interested in our technologies. We are pleased with the progress we've made throughout this process. We will keep you posted on important updates, when appropriate.

In closing, we have and continue to make significant progress on advancing our proprietary fuel cell technology and remain on track for SOP and commercialization of our single stack 200kW fuel cell system in the second half of 2024. Additionally, we are excited by the continued advancement of our commercial pipeline across our focus FCEV platforms, with commercial deployments ongoing toward our 10 to 20 vehicle goal this year, of which we have already achieved 10 so far, with \$2.9 million of cash received against those vehicles.

I am confident that our differentiated technology, strong IP and in-house US-based fuel cell production combined with our significantly streamlined organization and meaningfully reduced expenses, positions us well in this fast-growing market.

Now, I am pleased to introduce and turn things over to Dr. Bappa Banerjee. As previously announced, Bappa joined us as Hyzon's first Chief Operating Officer earlier this year. Bappa is leading the operations team to ensure delivery of high-quality products to customers and provide strategic direction for Hyzon's continued growth as the company develops and delivers hydrogen-powered fuel cell vehicles throughout its target markets.

In his first few months on board, Bappa has been conducting a complete review of our operations, portfolio and footprint, and we're pleased that he has already developed a revised operational efficiency plan to reduce expenses, the first steps of which are already in active implementation. I'll now turn it over to Bappa to discuss these updates. Bappa?

Bappa Banerjee, Chief Operating Officer, Hyzon Motors Inc.

Thank you, Parker. Good morning, everyone. It is my privilege to lead Hyzon's operations, with focus and discipline, as we work to reduce our expenses while serving our global customers.

In my three months with Hyzon, in the spirit of the Japanese philosophy of Gemba, or Go See, then Act, I have been to every single Hyzon facility across the world, including our warehouses, and have been meeting and learning from our employees and key partners, our global customers and suppliers.

Hyzon is making great progress in advancing our technology and competitive edge. To execute Hyzon's vision, we are looking to push forward with clarity and alignment by simplifying, focusing, and improvement of our information flow.

I have worked with the Hyzon board and our strong bench of leaders to identify waste and complexity across the business and find opportunities to reduce our costs. With the Board's approval, we have put in place a plan to accomplish these goals, and I am pleased to provide you with the initial decisions and actions we have taken.

First, we will focus on our fuel cell product offering by transitioning from three options to one. Instead of offering the 110kW, 120kW, and the 200kW fuel cell systems, we will shift our production focus solely to the single stack 200kW fuel cell system, which is the core differentiator for Hyzon.

As you would expect, this standardization is anticipated to drive efficiencies of scale and commonality throughout our operations, driving down our expenses and lowering execution risk. We expect improved quality through reduced variation, and reduced cost through volume increases on fewer part numbers to key suppliers. Our production cycle times are expected to improve because of common assembly and reduced changeover times.

Second, we will go from having the Conventional vehicle platforms for the U.S., the Cabover for Europe and the Rigid platform for Australia/New Zealand to only the Conventional vehicle platform serving the U.S. and the Cabover vehicle platform serving both Europe and Australia/New Zealand. We will meet our current customer commitments for the Rigid but will not develop it further internally at this time, and will work instead to outsource the Rigid platform fully to a third party.

The opportunity to use only two platforms to serve three regions was developed based on feedback from key customers, and their immediate needs.

Core elements of the product will remain identical across the two vehicle platforms and the required variations in the product will be confined to the Interfaces. This Core/Interface product development strategy will bring with it the efficiencies of modularity and standardization.

The vehicle platform strategy will allow us to improve our production planning. As Parker described, we are pursuing multi-year commercial structures with customers, beginning with trials and small orders, and ramping up to hundreds of vehicles over the next 3-4 years. By streamlining our platforms, we can more accurately predict and control costs as we scale via our third-party assemblers such as Fontaine. This will allow us to explore organizational efficiencies to reduce our expenses while serving our markets and customers.

These two major product and platform simplification actions will lead to multiple benefits and efficiencies across the organization, providing a simpler, lower cost and lower working capital business model without sacrificing commercial market and near-term revenue opportunities. For example:

- It will allow us to control costs by limiting headcount growth this year to only critically important positions across the organization. We had a headcount of 380 people at the end of Q2, and we will target a marginal increase to the end of the year. The headcount efficiencies will come through to the end of 2024. That is down from the double-digit growth percentage budgeted at the beginning of the year.
- It will allow us to further consolidate our geographical footprint.
 - In the US, for instance, we will exit our location in Rochester, NY, where we currently have subsystem assembly, vehicle prototyping, and finance support teams. The facility has already been listed for sale, but as with any large asset sale, timing is unknown.
 - Exiting our Rochester facility is just a first step in what we envision as a multi-phase, longer-term opportunity to drive efficiencies in our global operation.
 - We are looking for additional opportunities to consolidate in other regions, and plan to find additional levers over time. For example, we are actively engaging with third party assemblers in Europe to replicate our asset-light manufacturing model that has been developed in the US, with Fontaine.
- This focus will simplify our integrated global supply chain and simplified requirements for our 3rd Party Assembly partners, lowering expenses and improving cycle times
- It will also allow us to monetize excess and obsolete inventory across our global operations; and
- it will help us work more efficiently by eliminating the waste of duplication of effort across regions, by improving knowledge-sharing across teams and fostering practical, continuous improvement.
 - We will improve communication across our functions by implementing MS Dynamics, an ERP software to drive consistent and stable processes across our finance, HR, and procurement functions.
 - We are driving clarity and alignment across regions by developing shared learning, hosting regular all-employee meetings and aligning goals and objectives through target setting and a program management discipline of action planning and follow-up.

While we have made great progress, there is still a lot of work to be done. Our teams need to be aligned, better coordinated, and avoid duplicate efforts. We are working to build a culture of 1 Hyzon - driving results with clarity and speed of execution.

In summary, to improve our operating expenses and create a more efficient, streamlined and agile company:

- We will develop only 1 fuel cell system rather than 3, and develop only 2 vehicle platforms rather than 3, allowing us to limit our headcount growth and consolidate our global footprint to drive organizational simplification and efficiency, leading to lower costs.
- We will find and deliver upon practical continuous improvement opportunities across the company, including monetizing excess and obsolete inventory; and
- We will work with clarity and alignment by driving a simultaneous lift across all our functions as 1-Hyzon, simplified, aligned and coordinated by enhancing global communication and removing the waste of duplicate effort.

In addition to all these operational elements of expense reduction, we expect reductions in our legal, accounting and consulting expenses.

Through these measures, we expect to be well positioned to deliver net cash outflow in the \$110-120M range for 2024, as Parker mentioned.

Hyzon is making milestone driven, significant progress in bringing the single stack 200kW fuel cell system to production and in the commercialization of our heavy-duty fuel cell electric truck. With focus, discipline and execution of our operational milestones and significant improvements to simplify and streamline our business according to the plan we have in implementation, we believe Hyzon is well-positioned for leadership in this evolving hydrogen ecosystem.

Now, let me invite Jiajia Wu to discuss the detailed financial outlook and impacts of this plan. Jiajia?

Jiajia Wu, Interim CFO, Hyzon Motors Inc.

Thank you, Bappa and good morning, everyone. There is a lot to cover this morning. During last quarter's call, we mentioned that by filing our Q1 2023 quarterly report, we became current in our periodic reporting obligations. Additionally, on July 26 we received a letter from Nasdaq notifying us that we have successfully regained compliance with the listing requirements. I, along with the rest of Hyzon's management team, want to thank our dedicated employees - especially the Hyzon Finance and Accounting teams across the globe - for the continued hard work which enabled this. We would not be here without your contributions.

Moving to our second quarter financial results. We did not recognize revenue but incurred cost of revenue of \$2.4 million. Similarly to last quarter, this was related to cost provisions accrued for customer contract activities and additional inventory NRV write-downs in Europe. However, I would like to echo to Parker's earlier comments around commercial progresses - we have deployed 10 vehicles globally and collected \$2.9 million year-to-date. In addition, as we will disclose in the revenue footnote of our second quarter 10Q, we expect to recognize approximately \$12 million in revenue over the next 12 month period. Certain revenue contracts include customer acceptance clauses, which in our case can depend on the sourcing of hydrogen or the readiness of refueling infrastructure at the customer location, a factor which is outside of our control.

Our loss from operations amounted to \$(64.1) million, as compared to \$(41.0) million in Q1 2023 and \$(31.9) million in Q2 2022. The primary driver of this increase in net loss from operations was related to increases in legal, accounting and consulting fees. This quarter's legal, accounting, and consulting fees were approximately \$32.0 million, increasing by \$16.3 million from Q1 2023 and increasing by \$26.2 million from Q2 2022.

Included in this quarter's results are approximately \$28.5 million in legal, accounting, consulting fees which management views as nonrecurring. Included in that figure is a \$22.0 million loss contingency accrued in light of management's assessment of the SEC investigation - \$7.0 million is recorded in current Accrued liabilities and \$15.0 million in long-term Other liabilities in the Consolidated Balance Sheets. As we will state in the Commitment and Contingency footnote of the 10Q, we cannot predict the ultimate outcome or the timing of the SEC investigation or inquiries, what if any actions may be taken by the SEC, or the effect that such actions may have on the business, prospects, operating results and financial condition. The \$28.5 million also included elevated accounting and consulting expenses of \$2.6 million continuing to June 2023 associated with the additional work to bring our SEC filings up to date.

Below the operating line, the net loss attributable to Hyzon for this quarter amounted to \$(60.2) million, compared to a net loss attributable to Hyzon \$(30.2) million in Q1 2023 and net income attributable to Hyzon of \$42.0 million in Q2 2022. Basic loss per share stood at \$(0.25) in Q2 2023, versus \$(0.12) in Q1 2023, and earnings per share of \$0.17 in Q2 2022. Non-cash driven changes in mark-to-market valuation of private placement warrants and earnout liabilities, as well as, non-cash changes to fair value of equity securities, significantly contributed to this fluctuation. This impact can be influenced quarter to quarter by a number of factors including but not limited to Hyzon's quarter-end share price.

Moving to our non-GAAP financial measures, our adjusted EBITDA for Q2 2023 amounted to negative \$(33.0) million, compared to negative \$(27.3) million in Q1 2023 and negative \$(28.0) million in Q2 2022. We believe Adjusted EBITDA provides a better view of our recurring operational performance. Besides the non-cash gains on

the fair value of private placement warrant liability and earnout liability, the largest add back item was related to the regulatory and legal matters. The non-recurring portion of this expense increased from \$2.8 million in Q2 2022 to \$7.7 million in Q1 2023 and to \$25.9 million in Q2 2023. On our Q1 2023 earnings call, we had indicated that our Board of Directors' special committee investigation had concluded in March 2023. The significant jump in Q2 2023 was related to a potential SEC accrual of \$22.0 million, which I discussed earlier.

We will have limited visibility into the size of our legal expenses in the second half of 2023, due to ongoing investigation. However, we have caught up with our filing requirements and have concluded our engagement with a major consulting firm relating to our organizational restructuring. Therefore, we expect to see elevated consulting and accounting expense items significantly reduced in 2H 2023 which should lead to overall reduction in core (non-legal) SG&A expenses. R&D expense will remain relatively consistent over last year. From a macroeconomic standpoint, our full year guidance assumes no material deterioration in the second half of the year compared to current conditions. We expect operating expenses excluding cost of revenues to be between \$73 million and \$81 million for the second half of 2023. This range does not include legal settlement expenses in excess of our already recorded reserve.

Turning to the balance sheet. As we have indicated in the previous calls, our asset light approach to our manufacturing operations reduces the need for investments in facilities as compared to traditional OEMs in our industry. We will still continue to make strategic capital investments to advance our technology and improve efficiencies as we ramp up fuel cell system production. CAPEX for this quarter amounted to \$1.2 million, comparable with prior quarter.

Turning to cash, we ended this quarter with \$172.4 million in unrestricted cash, cash equivalent and short-term investments. Due to the actions we discussed in the first quarter earnings call, such as reducing the number of vehicle platforms, we have seen improvements in our Q2 2023 average monthly cash burn to an approximated \$12.2 million a month. We also reported the July month end cash balance of \$158 million. \$14.0 million spent in July included our annual D&O insurance of approximately \$5 million. Excluding that, our monthly cash burn was at \$9 million for July. After taking into account actions already implemented, our current net cash burn forecast for the second half of 2023 will be in the range of \$65 million to 73 million, The range includes the previously mentioned \$7M short-term accrual we have already estimated related to the SEC investigation. The current cash forecast is based on certain, potentially volatile assumptions, which may vary, such as near-term US hydrogen costs for our internal testing needs, our ability to liquidate excess inventory in Europe, and supply chain costs, which are subject to various factors that could be outside of our control.

We have provided additional details for 2H 2023 expenses and cash guidance at slide 17 of the earnings deck

We are pleased with the significant amount of progress we have made at Hyzon, however our work is not done, as Parker mentioned earlier, our 2024 initiatives outlined and led by Bappa will reduce our cash burn further.

Simplifying fuel cell system development and manufacturing - focusing on 200kW, and further streamlining vehicle platform production by leveraging third party assemblers will help us to achieve annual net cash outflow target of \$110-120 million without considering potential impact of SEC settlement payment in 2024. Parker mentioned earlier, we are also working with a financial advisor on capital raise options.

To conclude, with the right team, right strategy in place we have demonstrated quarter that we can and have substantially improved our cash preservation. We are working hard to show commercial progress across our key markets while still controlling spend. I along with every Hyzon employees are very confident in our technology and path forward to meet our targets.

With that, I will turn the discussion back over to Parker.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Thank you, Jiajia.

We believe that we have differentiated technology, a strengthened team, and a clear vision to commercialize in a hydrogen market that is only accelerating, grounded in our strong IP and in-house US-based fuel cell production.

During and since the end of the second quarter, Hyzon continued our focus on our core strength, fuel cell system technology. As you heard from Bappa today, we have plans in place and already in action to hone that focus further, both to reduce our costs and to accelerate the commercialization of our technology and our vehicle platforms. In Q2, we progressed that commercialization through vehicle trials and initial deployments across the globe, progressing our commercial pipeline in each of our focus heavy-duty FCEV truck platforms. As I said during our last earnings call, these initial trials allow both customers and Hyzon to collaboratively validate the technology performance, building the foundation for multi-year vehicle supply order programs, which we are actively shaping with our focus potential customers, to help them begin or continue their crucial work of decarbonization.

We believe that with our differentiated technology, active major truck fleet collaboration and strong financial management and governance, we can execute our streamlined vision to commercialize fuel cells and fuel cell electric vehicles in a hydrogen market that has tremendous momentum. Thank you for joining us today, and I look forward to taking your questions. Operator?

Question and Answer Session

Operator

(Operator instructions) Your first question comes from Rob Wertheimer with Melius Research. Your line is open. Mr. Rob Wertheimer, please go ahead.

Rob Wertheimer, Melius Research

So my question was, if you could just first describe a little bit, the trials that you have and the process you use to get there, to sort of qualify, you know, the seriousness, how your customers think about it? Is it just a test or is it something they intend to do and they're selecting people? Do you see competitors at those trials or is everybody playing in different ponds at this point? And your customers, your top customers have fueling strategies?

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Thanks, Rob. I think that's a great area for us to dive deeper to because working collaboratively with our customers to shape up just a trial program. What the entire experience to decarbonize their fleet will look like from trial into order program into delivery paired with fuel with our partners on the hydrogen side is critical to starting this mission for them. So to take that in a few pieces. First, on the competitive landscape, a lot of fleets are trying a lot of solutions. But when we're engaging with the fleet, we've really already done the work to understand what's that fleet's decarbonization goal?

Are they focused on True Zero, which only hydrogen fuel cell technology and Battery Electric can provide versus others? And what's their use case, right? The use case one where fuel cells should win the day, whereas a heavier weight, longer range and/or grid limited infrastructure in environment. So all that happens really early in the conversation, right? So we know that fleets mostly have diverse route trees, diverse use cases. So they likely will have some battery electric in their fleet at some point, some hydrogen fuel cell in their fleet. And we focused on the area where fuel cell will outcompete. Most are trying a lot of different solutions.

But in many cases, fleets have made their choices based on the preferences for instance, having a conventional truck in the U.S. is very important. Cabover trucks, there's a reason why those have less than the 10% market ship today, a lot of fleets in the U.S. in particular, prefer conventional nose truck over a cabover. So many of the fleets we

work with tell us that they're not going to trial a cabover truck. Some will. Once we get into that trial discussion, we're very clear that we're focused on fleets where the trial is really the proving point to get into a commercial agreement over multiple steps, right?

So trials are only conducted at this stage once we have a customer that we've progressed and understood what's the motivation from an ESG standpoint to decarbonize, what's their vision of where fuel cell technology fits in their use case and in their fleet. We work very closely with them on things like TCO modeling, route tree remodeling, shaping the trial to really test the technology, prove to them and us that our technology works really well and what they need it to do. And then to shape with our fueling partners, how is the fueling infrastructure going to come to life specifically for them. So by the time we get to a trial stage, we always see that as -- that is the proof point for us to then complete the trial successfully and then to work on what is the scale-up pattern, what's the fuel answer for that fleet.

Rob Wertheimer, Melius Research

Okay. Perfect. And then if I can add more around the same topic. What is your sense on what customers are finding on the use cases and workability for 110kW versus the larger stack -- the 200kW stack? Does the 200kW expand the uses dramatically? And then you managing trials with the 110kW and then going to a 200kW for your future technology plan? Is that a pause in trialing or how do you kind of manage that with customers? And I'll stop there for a moment and get back in line.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Thanks, Rob. So when it comes to the 110 to the 200kW a really critical transition for us. So the 200kW single-stack fuel system, given the power that can provide paired in our overall fuel cell powertrain, we see that as being able to do 80% to 90% of what any Class 8 truck needs to do across a typical route tree in the cases that -- in the use cases that we are focused on, right? So early deployments over the next couple of years will be focused more on the back-to-base use cases, drayage, food and average delivery, point-to-point frame, et cetera. When you look at the route trees for those use cases, in most parts of the country, the 200kW, we think can do almost everything that that route tree needs to do.

The 110kW has been our focus first against the production because that technology is available and because of the cost efficiencies, the volume efficiencies and the weight efficiencies that a single stack 200kW that we fairly uniquely have in the Western world in trucks can provide -- we've used the 110kW as really a transitional vehicle, one that we got into production now when it's been in trial for over a year. And the early adopter fleets looked at that 110kW to get experience, knowing that it is somewhat limited in what it can do in the route tree. But our focus is the 200kW going forward.

So the 110kW we are delivering to early adopter fleets to find a place to use it where it can be used. Performance Food Group is a great example of that. We have a contract in place with them to deliver five 110kW's this year, which they're going to take and put into place to get experience in that first tranche. But the focus for most of our customers is that 200kW, which we're quite excited to have the alpha truck in track testing now and to look to SOP that truck next year.

Rob Wertheimer, Melius Research

Thank you. All good.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Thanks, Rob.

Operator

Your next question comes from Bill Peterson with JPMorgan. Your line is open.

Bill Peterson, J.P. Morgan Securities, LLC

Yeah. Hi, good morning, everyone. I want to follow up on that point. So just to be clear, so you have this 110 truck available for production. And I guess you're looking at whatever trying to match with the customer interest. But I guess, similar, you have some trials or 120 cabover in Europe that have been delivered, too. So I guess, how should we think about truck shipments in 2024, maybe based off the smaller fuel cell, given your strategy and clear strategy to shift to 200kW? Should we just assume, I guess, fairly small volumes in 2024 before, I guess, the 200kW platform is really ready to ramp in 2025 and beyond?

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Yes. Thanks, Bill. So I think basically, the way that I would think about it is the 110kW trucks and the 120kW over in Europe, we will deliver to customers where there's early adopters that want to take that truck as part of their first order, while the 200kW still being delivered. As soon as that 200kW is available in SOPed, that will be able to just service both a full 200kW use case, and we actually can limit the 200kW output if we need to, to service the 110kW use case, should that power not be needed.

So we are delivering 110kW, 120kW trucks this year. We will likely look to develop those in the early part of 2024, while the 200kW still going through the SOP. But the focus really is to deliver those where it makes sense to start a customer journey where they want to get going, but to focus on getting that 200kW SOP-ed as fast as we can.

Bill Peterson, J.P. Morgan Securities, LLC

Okay. And I guess maybe this might be for Bappa. But trying to understand based off the findings of the operational view, maybe provide additional color on the cost reduction efforts. Kind of related, but maybe not exactly related, but when you provide subassemblies, I presume you're really focused on the fuel cell, but I guess, can you remind us the other components in the powertrain that you're going to basically do internally versus buy externally? And should we assume for the 200kW launches these are going to be offered to the third party outside of the core fuel cell?

Dr. Bappa Banerjee, Chief Operating Officer, Hyzon Motors Inc.

Thank you, Bill. So I referred to our thought process of having some core components as well as handling the variations through interfaces. Our core components are the differentiated parts of our business, the differentiated technology advantage that we'll keep very, very close to us. The interface side of the business, we are happy to work with third parties. To give you some examples of what core means our fuel cell, for example, getting down to our MEA, how we put together the plate, how we put together the stacks that all will be done in-house.

That is absolutely core to us, and that will continue to be identical across our vehicle platforms. So as you can anticipate, this simplifies our supply chain, simplifies our number of part numbers and has all sorts of benefits, not only for the production side but also for our TPAs, our third-party assemblers, because their life becomes a little bit

simple because when we provide them the kits that help them with their assembly, it's more structured, it's more defined and they can get things done faster. So that's how all of this comes together.

Bill Peterson, J.P. Morgan Securities, LLC

Sorry if I can sneak in one more. I wanted to kind of follow up on the -- actually the infrastructure side of your business. Maybe get an update on the Raven SR, the timing of that, how that's progressing. But then also, as we think about the other projects you've talked about in the past, Transform, TC, ReCarbon, Woodside. I mean are these projects likely to fire I guess 2025 and beyond as your business ramps or maybe you can remind us what Hyzon's contributions are for these projects.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Yeah, glad to Bill. That's a important part of our business. So starting with Raven SR, we still remain quite excited by the first project with Raven SR, their plant in Richmond, California. We're invested in that plant. Chevron also has announced investment in that plant. That plant still is going through permitting, did secure its groundbreaking permit, and we're looking forward to following that project through to its completion. I don't believe Raven's given an update on specific timing of first production from that plant, but we are actively planning potential deployments around that production.

And the broad spectrum of production partnerships that you mentioned that we're quite excited to have those with us we still have a very active pipeline of potential projects that we curate with those partners where to remind everybody, Hyzon, in most cases, has the exclusive right to invest in many cases, up to 50% of the equity in projects with the partners where there's projects that's going in and around Hyzon trucks. And those partnerships, we really look to curate only to put capital to work where it's critically tied to near-term deployment. So we are actively looking at SoCal, looking at projects there. We have projects over in Europe as well that we're looking at. Southern California is an area that given the strong demand there and the existing infrastructure that does exist on the dispensing side is a place that's more likely than not for us to potentially have a next project.

And it's as important that we have dispensing partners, which we haven't announced those in the U.S., but we do have companies that we work with closely to shape dispensing solutions, where to have this come to life, our firm belief is back to base is the use case focused to simplify also dispensing and infrastructure need. And to get started, it's going to be mobile fuelers tied to close by production as more permanent installations are cited and installed both behind the fence and with a semiprivate public access.

So we have great partners on the dispensing side that we bring to customers who have mobile fueler access and who have between 20 and 50 truck initial dispensing deployments that we look to pair with the production that is coming on the line. And that's where you see customers that advance through trials. It's not just that they want to try the truck, it's that we've given them confidence that once they've made the decision to enter into a commercial agreement that may scale to 50 to 100 trucks over time that we've shown them the dispensing and their production partners that can help them scale fuel.

Operator

Your next question comes from Steven Fox with Fox Advisors. Your line is open.

Steven B. Fox, Fox Advisors, LLC

First question, Parker, just following up on everything you just talked about there on the dispensing side. You did also mention that sometimes installing and commissioning of on-site fueling could be a timing issue. Like can you just sort of put everything you just said in perspective with how the customers are pursuing the fueling infrastructure

at the same time they're talking to you? And how much of a delay that could lead to or whether that's part of the planning process? And then I had a follow-up.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Yeah, great. Thanks, Steve. It's obviously a very important part of us, shaping our journey together. So the way that we pursue fueling to make sure that we're minimizing risk and ensuring that we have fuel available as much as possible. Permitting and installing permanent dispensing is what has a lot of risk in it. So when you're looking at a permit install, permanent fueling particularly on-site behind the warehouse, that takes time. The early deployments will be paired with mobile fuelers -- those we have as partners that have those available lined up access to capacity of fuelers, particularly on the West Coast of the U.S., I'll talk about Europe in a second.

And it really is about laying out the transition where if a first order is five to 10 trucks in the first year, mobile fuel capacity is generally available for us to be able to fuel that. And it's all about basically planning timing of the second order and the commitment by the customer to permit install the behind the fence or semiprivate fueling station to meet their second order and beyond. So there certainly is risk there on the second order tranche, but we really try to minimize the first-year delivery risk on the fuel side with mobile fuelers.

In Europe, and it is a bit easier because there is more hydrogen infrastructure over in Europe. So many of our customers in Europe have already been working on fueling infrastructure for some time. For instance, through our partner, Juve in Austria, one of our end customers through them and install significant electrolyzer capacity in dispensing on the site. So they already have fueling in place to scale up to a certain number of trucks.

So it really is, it's a focus in both Europe and the U.S. and as well as Australia. But in the U.S., mobile fueling is of utmost importance to allow us to make sure that the first year's deliveries aren't delayed while we work with the customer to ensure that they're permitting and installing permanent infrastructure for the second and the third years.

Steven B. Fox, Fox Advisors, LLC

Great. That's very helpful perspective. And then just a bigger question. If we dial back and look at the cash flow burn rates for the second half, you're talking roughly \$140 million annualized at the midpoint and you're talking about \$110 million to \$120 million next year. Can you sort of bridge that gap in terms of what's assumed and what's maybe not assumed? In other words, I know you talked about a lot of efficiencies that you're pulling through the business as you restructure. But do we think about, for example, the ramp of 200kW stacks as being a cash flow drag initially or how is that factored in and maybe one-time costs that might be in the \$110million to \$120 million like the sale of the Rochester facility, et cetera? Thanks.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Yes. So I'll pass it over to JiaJia. JiaJia?

Jiajia Wu, Interim Chief Financial Officer, Hyzon Motors Inc.

Good morning, Steve, thank you for the question. I would say it would not happen overnight. But it make significant progress. As I said earlier in the call, right, our spend, if you look at the trend and what we also have in the slide deck, in the appendix, right? If you look at the trend, our spend reduced from \$55 million in Q4 in 2022, down to \$46 million in Q1. Now Q2 we were at \$36.6 million. The journey proves, right, our actions did work. As our legal expense, accounting expense continue to getting normalized in the second half of 2023.

And as Bappa mentioned, right, with his 2024 initiatives, such as monetize excess inventory in Europe. And we do see a path forward to achieve the target in 2024. Particularly, I think you mentioned about our 200-kilowatts and fuel

cell and the production. And we did make significant investment already in the raw material around the 200-kilowatts. If you look at our inventory balance, you have seen our inventory balance have grown in this quarter. So that's kind of related to those. So we don't expect a significant impact from inventory procurement side for 2024.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Yes. Just to add to that. I mean if you -- to your question, Steve, basically, what does it take to make that leap happen from \$140 million to \$110 million to \$120 million? It really is we have continuing potential reduction of legal financing accounting, as Jiajia mentioned in the call, that has been a decent part of the trend over time. And we have inventory that we have available to monetize from the cleanup of the platform simplification, right, inventory we no longer need because of our focus going forward, along with the benefit of the actions that we're driving now under the reshape of our operational efficient program with Bappa leading us through that. So you'll see as we progress to the rest of 2023, the continued trend in that direction. And we're comfortable that by Q1 of '24, we'll be at the run rate to hit that \$110 million to \$120 million cash guidance.

Steven B. Fox, Fox Advisors, LLC

Great. That's helpful. Just one clarifying point. The potential sale of the Rochester facility, is that in your estimate or not in your estimates?

Jiajia Wu, Interim Chief Financial Officer, Hyzon Motors Inc.

For that particular one, I would say the timing of liquidating a key real estate asset, it's uncertain. So it's not in our guidance at this moment.

Steven B. Fox, Fox Advisors, LLC

Great. Thank you very much.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Thanks, Steve.

Operator

Your next question comes from Rob Wertheimer with Melius Research. Your line is open.

Rob Wertheimer, Melius Research

Howdy. I just wanted to have one follow-up on the 200 and how your trial customers are seeing that evolution? Are you kind of starting from zero again on -- that's not the right way to say it. But on durability and on kind of proof of how the system works, is there a ton of carryover from the previous technology? Is that readily predictable from how you're doing it? And how do people think about durability in general? Is that currently a major selling point or is that something people know will evolve over time?

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

No, great question there, Rob. And I think durability is a point we really love to dive deep on because it is so critical to us coming to market, and our customers are very, very focused on it. So I'll take it in two parts. The fuel cell durability and the vehicle itself, right? So start with the fuel cell, while there is good durability data historically on the 120kW generation, we are starting from scratch, so to speak, on 200kW or reprove durability on that technology. Now, 200kW single stack is a very advanced technology because of the ability to get that consistent power performance across the larger active area and the number of cells we have in that stack in that compressed box.

So while we do think and our customers do look at the 110kW and the 120kW generation as instructive -- we want to be clear that when we go through SOP, the durably testing is going to be all from the 200-kilowatt itself, reproving it over again. So it's both -- they give us credit, but we also want to prove it to them in this technology because this is so advanced and so different from the other 100-ish-kilowatt generation inside of Hyzon and in the market. On the truck side, most of our customers that, in the end, really want to scale with the 200kW trucks are getting their first experience on the 110kW, 120kW generation.

And that is a significant benefit to them where they have a successful trial in our truck, not just trialing in the fuel cell, they're trialing the entire truck experience. Not only how the truck performs, but if and when there are issues, how we react, how our service providers help to resolve those, how the fueling is going to work, training their drivers and frankly, putting a lot of excitement. So what we've seen in our pathways with some of our early customers where we have progressed from trial to order is they're willing to actually sign up for an order pattern just on the 110kW, 120kW trial that has committed orders for the 110kW, 120kW and contingent orders for the 200kW pending the 200kW truck trial that they'll do later, which that truck we expect to be in trial relatively soon.

But that 110kW is very helpful in building not just confidence in the technology, but also excitement, training, fuel, experience, et cetera, where it goes a long way. So I guess what I'm trying to say is doing 110kW trials are even more beneficial than you might think, given it does get customers a long way toward the 200kW where most of them at the end, say, I just want to try 200kW make sure that it does what it's supposed to do in the increased weight and range that they can provide, and we sort of tick the boxes on the rest.

Rob Wertheimer, Melius Research

Okay. Thank you.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Thanks, Rob.

Operator

There are no further questions at this time. With that, I will now turn the call back over to Parker Meeks for closing remarks.

Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.

Thank you, operator. Again, I want to thank everyone for joining us on this call today. At Hyzon, we are quite excited by the progress we've made over the past quarter in driving the commercialization of our fuel cell electric vehicle platforms and then the continued progress towards SOP of our 200kW fuel cell technology. We're thankful to have all of you following our journey. We're excited to provide more detail on our next call. Thank you very much.

Operator

This will conclude today's conference call. Thank you for your participation. You may now disconnect.