# Hyzon Motors Inc.
# Q1 2023 Earnings Conference Call
# Thursday, June 8, 2023 at 8:30 a.m. Eastern

**CORPORATE PARTICIPANTS**
**Henry Kwon** – *Head of Investor Relations*
**Parker Meeks** – *Chief Executive Officer*
**Jiajia Wu** – *Interim Chief Financial Officer*
**Sayanta Dutta** – *Senior Vice President of Corporate Development*

**PRESENTATION**

**Operator**

Good morning and welcome to Hyzon Motors' first quarter 2023 conference call. As a reminder, today's call is being recorded. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. At this time, I would like to turn the call over to Henry Kwon, Head of Investor Relations, for opening remarks and introductions. Please go ahead.

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

Thank you, operator. Good morning and welcome to Hyzon's First Quarter 2023 Earnings Call.

On today's call are Parker Meeks, our Chief Executive Officer, Jiajia Wu, Interim Chief Financial Officer, and Sayanta Dutta, Senior Vice President of Corporate Development. The earnings press release and presentation deck can be found on the Investor Relations section of our website.

With that, now I will turn it over to Hyzon Motors Chief Executive Officer, Parker Meeks.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**

Thanks, Henry. And thank you everyone, for taking the time to join our call. This is Hyzon's first earnings call since May of 2022. I would like to briefly address that filing and formal communication gap. As you are likely aware, the company experienced challenges in governance and in providing robust and timely reports, in response to which the company has invested significantly internally, along with Hyzon's Board commissioning and concluding a thorough special committee investigation. With yesterday's filing of our Quarterly Report on Form 10-Q for Q1 2023, we are now current with our periodic reporting obligations and intend to provide our periodic reports on a timely basis going forward.

I am proud that in my first earnings call as Hyzon CEO, I get to share the significant achievements the Hyzon team has accomplished over the past year, including those internal investments and improvements we have progressed.

Since you last heard from us, our team at Hyzon has been busy on two fronts. First, we have restructured, integrated and simplified the company to build a strong foundation across technology, product, geography and organization, while making progress in strengthening our governance, including ongoing implementation of the recommendations from the Special Committee Investigation. This put the company on solid footing to then restart focused execution with a new strategic plan and to restart customer engagements, many of which had paused until the company had clarity on our filing path forward and our governance, which we have now been able to provide. 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. And while internally we have been busy relaunching a stronger Hyzon, externally the regulatory and government support for hydrogen and zero emission mobility in general, along with trucking, have all grown stronger.

Today, we are focused on our core strength: developing and commercializing our fuel cell technology. We have streamlined our vehicle offerings, operations, and geographies to support this fuel cell commercialization focus in an asset-light vehicle assembly model. Later in today's call, we will discuss the exciting benefits we are already seeing in early execution of this powerful combination: in-house fuel cell technology combined with an asset-light approach to commercialization.

I look forward to sharing details of this progress with you, the competitive and economic implications we are seeing in that progress, and to preview the goals we have set for the rest of the year and beyond.

Hyzon's fundamental strength is its proprietary, in-house design, development and assembly of high-power fuel cell systems, starting from in-house production of our proprietary Membrane Electrode Assembly, or "MEA". In our restructuring, we therefore prioritized and accelerated hiring and capex investments for the development and commercialization of our single stack 200kW fuel cell system, which we believe is a major step forward for the industry. We are proud of the progress we have already made at our end-to-end US fuel cell system production facility, which is advancing well into prototype production today and on track for Start of Production, or "SOP", of the 200kW fuel cell system in 2024.

We are utilizing an accelerated A-sample through SOP methodology to measure the maturity of the 200kW in its development, which is summarized in the presentation posted with this earnings release. You will hear us talk about our progress against these major development declarations today and expected in the future, so we are providing the table as reference.

To measure our progress towards declaring this SOP, we determined specific milestones for 2023 throughout the year. We have already achieved several of these milestones in the first half of 2023. A few of the priority milestones that we anticipate achieving later this year include assembling and testing 9 fuel cell systems by end-June at a B-Sample stage, completing initial major milestones of durability testing and design & process verification, and a final goal of assembling and testing 25 200kW fuel cell system prototypes, along with a C-sample declaration, by year-end.

Sitting here today, we are on-track to reach that goal: we have started production on our continuous, roll-to-roll MEA production line, and have begun semi-automation and full automation activities across single cell, fuel cell stack and system assembly.

Beyond fuel cell system manufacturing and bench testing, the initial on-vehicle testing of our alpha 200kW US class 8 FCEV truck is showing many of the improvements we expected, as compared with a common competitor approach of utilizing two ~100kW fuel cell systems to achieve the same power. These advantages include 30% lower volume and weight with our single 200kW fuel cell system vs. two Hyzon 110kW systems, and 25% lower manufacturing cost. Our early on-vehicle testing also indicates 20% improvements in fuel efficiency, which is a critical measure given fuel makes up over 50% of the Total Cost of Ownership over a typical truck's commercial lifecycle.

Our ability to develop and produce a single 200kW fuel cell system is rooted firmly in Hyzon's IP, which protects our technology edge. Our IP includes a total of 157 patents, including 120 relating to proprietary materials, designs, and processes across the entire MEA, bipolar plate, stack and fuel cell system spectrum. These patents are exclusive to Hyzon in mobility in our focused markets of North America, Europe and Australia / New Zealand. The 200kW will serve as our base to develop future generations of our fuel cell, including a single stack 300kW system which remains central to our development roadmap. Beyond the fuel cell technology, in vehicle R&D, we have only maintained those R&D programs which are vital to the FCEV powertrain, and have reduced the number of vehicle R&D programs by about 2/3$^{rd}$, compared to those in place in July 2022. One example is in battery technology, where we are transitioning to a similar asset light development model by collaborating with suppliers in development and outsourcing manufacturing, while Hyzon continues to own the relevant IP.

To support this technology development focus, we significantly streamlined and simplified our approach to our vehicle offering, engineering organization and assembly model during the restructuring. First, we rationalized the product portfolio. Previously, we were advancing over 20 distinct vehicle variants. Going forward, we are focusing on one vehicle platform for development in each region: the conventional truck developed in the US, the cabover truck developed in Europe, and the rigid truck, the base for our refuse vehicle, developed in Australia.

Second, we have streamlined our 200kW powertrain development around modular standardized components which are being designed to require minimum modifications across all three platforms, simplifying global supply chain and inventory management, serviceability and maintenance.

Lastly, we are in the process of duplicating our US approach to vehicle assembly and development in Europe. In the US, Hyzon has been prototyping and trialing a single vehicle platform with fleets since March 2022, and we are now transitioning the informed and improved design into pre-production with our third-party assembly partner, Fontaine Modification. By leveraging an established at-scale third party vehicle assembler, we can scale assembly of FCEV trucks upfit with Hyzon fuel cell systems and powertrain components for delivery. The first US commercial truck is expected to ship from Fontaine to a customer later this year. We look forward to providing further updates in the future on our transition to third-party assembly in Europe.

In the U.S., this asset light model is expected to reduce assembled vehicle cost particularly at initial assembly volumes. As you can see on slide 11, we expect our third-party truck assembly costs to represent a relatively small portion of our total assembled vehicle cost. By combining this expected benefit with the previously mentioned cost advantages of our in-house fuel cell technology, we expect to yield a positive contribution margin today on the U.S. 110kW trucks slated to be deployed to customers later this year. We also currently estimate a smaller positive contribution margin within the first year of 200kW US truck assembly, which we expect to expand as we scale the 200kW FCEV platform.

Additionally, in the US, many large fleets have pre-orders for internal combustion trucks with dealers, which can serve as the base trucks for our upfit FCEVs. When this is the case, base vehicles can be shipped directly from dealers to Fontaine for upfit. In this scenario, Hyzon does not put up the working capital for the base truck, which results in a meaningful reduction in Hyzon's total working capital carry for a complete fuel cell truck.

With scale and further cost and fuel efficiency improvements in both the 200kW fuel cell system and the broader vehicle powertrain, we expect our US business model to approach TCO parity with diesel, even without the benefit of truck subsidies once we reach 1,000 annual units of production. Today, we are already at or near TCO parity with diesel with the benefit of subsidies, all including the positive contribution margin mentioned previously.

Turning now to our commercial progress, we are happy to have largely maintained and now restarted our priority engagements in all three regions. This includes anchor fleet customers under signed agreements, with initial commercial activation in all three regions anticipated this year. We expect to deploy between 10-20 vehicles to customers globally under commercial agreements by year-end. We also have a healthy pipeline of potential large fleet customers globally in addition to those anchor fleet customers. Today, our pipeline is particularly strong in North America, where we have completed over 10 vehicle trials and have over 10 fleets engaged in trial and/or commercial agreement shaping. In total, with 11 customers globally under commercial agreements and 24 fleets globally in active trial planning, trial execution and/or commercial agreement discussions, we believe our commercial pipeline is in good shape.

As an example, yesterday we announced our first agreement for fuel cell electric trucks in the U.S. with Performance Food Group, or PFG, one of the largest food and food-service distribution companies in North America. The first five vehicles will be upfitted with Hyzon Class 8 110kW fuel cell systems, and an additional 15 FCEVs will be upfitted with Hyzon's next-generation single 200kW fuel cell system, which is conditional on a successful 200kW vehicle trial. Following the initial deliveries, PFG and Hyzon also have agreed to work together regarding a mutually agreeable option for 30 additional FCEVs. We are excited to partner with PFG as part of their decarbonization mission.

Additionally, we recently activated our commercial relationships with Hylane in Germany and Juve in Austria, with whom we have launched the first customer trials of cabover 120kW vehicles in Europe.

As I mentioned previously, we are focused on large fleets who are actively seeking decarbonization solutions for their fleets. Many of these large fleets order several hundred ICE trucks per year today, however most will start their decarbonization journey with just a few trucks in an initial delivery year. We aim to collaborate with these fleets on multi-year order programs to scale the decarbonization impact in their fleet as we, and they, are able to validate performance of the initial trucks in their fleet, secure additional subsidies, and stand up fueling. With this focused customer collaboration model, we believe many large fleets may eventually scale to 100 trucks per year in as few as 4 years. If this general model is realized, just 10 major fleet customers in each region would be sufficient to ramp to 1,000 trucks annually. Though not every customer will scale to this potential, several of our anchor fleets are

capable of scaling well beyond 100 trucks per year in the future, given their fleet size and decarbonization aspirations.

Finally, our global extension of our vehicle platforms is also underway, with the ISO-certified Australian designed Rigid platform currently in commercialization paving the way for the first U.S. fuel cell electric refuse base vehicle, which has also been built in Australia based on the same design. The fuel-cell powered truck will ship to the U.S. later this year for further development prior to launch of a vehicle trial program. Refuse is a fantastic use case for FCEV heavy duty powertrains. The combination of the near-term publicly-funded fleet mandates in California, along with the newly created refuse voucher bonus in California's HVIP voucher program, provides a government-supported pathway to zero emission refuse vehicle adoption. This also pairs well with a circular ecosystem and fuel concept, given the potential for hydrogen production from landfills. We will discuss the first waste-to-hydrogen production project we invested in with Chevron and Raven SR in California later this morning.

Additionally, our previously announced liquid hydrogen truck in development with Chart Industries is now assembled and on the test track in Michigan, in planning with a fleet for a 600-mile targeted demonstration. Our belief remains that 350 bar hydrogen storage is the cost-effective approach for back-to-base operations, well suited to FCEV applications, and liquid hydrogen is the optimal future approach where longer range is required, given the significant cost and reliability concerns with 700 bar dispensing and on-board tankage. This is a natural extension of our existing conventional truck platform. By incorporating Chart's liquid hydrogen tankage on that platform, we anticipate opening the long-haul market once the refueling infrastructure is developed.

In addition to Hyzon's technology and business model advantages, we are also encouraged by the continued expansion of government support for zero and low emission transportation in our priority markets, and have further focused our efforts in these geographies. In the US, the addition or advancement over the past 12 months of many programs in California including the recently passed Advanced Clean Fleet Rule combined with the Inflation Reduction Act and its Zero Emission Port Equipment funds, which are expected to include drayage truck subsidies at ports nation-wide, along with the progression of the Department of Energy's Hydrogen Hub program, provides significant truck deployment opportunities in California today, port drayage nationwide in the relatively near-term, and hydrogen hubs across the country as that program progresses mid-decade.

Given the subsidy and grant programs in place today, in stages of detailed definition, or proposed for future implementation, we see opportunities for the industry to put thousands of zero-emission trucks on the road under subsidy programs that are now, or are expected to be soon, commercially available and economically viable for customers.

Finally, we also decided to stop delivering trucks commercially into China, and started to monetize our existing China leased truck portfolio with a first announced transaction in December 2022. As part of our restructuring assessment and related Special Committee Investigation, we identified commercial governance concerns in our China operation, challenging our ability to operate commercially in China. Additionally, relative FCEV profitability and collectability in China has been significantly challenged vs. the relatively attractive US, Europe and Australia / New Zealand markets on those fronts. This combination of economic and risk challenges led to our decision to exit China commercially to focus on our core markets.

The organizational reset we completed has been foundational to our ability to start executing with quality, efficiency, high levels of performance management, and stronger governance. Throughout the past 10 months, we have significantly rebuilt our organization structure, creating globally integrated functions, strengthening our senior leadership team, and centralizing technology & vehicle development. Additionally, we are supporting our skilled and talented workforce with a focus on communication, employee engagement and culture-building, yielding strong retention despite our reset. I am proud of, and grateful for, the resilience and dedication our global team demonstrated to Hyzon and our goal of decarbonization during the past year.

With our rationalized vehicle portfolio and standardized approach to component development, we moved from regionally based engineering and operations to a globally integrated function. Combining and collaborating across Hyzon's global expertise helped us progress rapidly, enabling much of the technology and vehicle progress I

previously described along with resource efficiency. Dr. Bappa Banerjee joined us as Hyzon's first Chief Operating Officer, bringing more than two decades of experience leading global operations, engineering, and commercial functions for multi-national companies, including Caterpillar, to continue driving Hyzon forward in globally integrated delivery.

To further Hyzon's priority of investing in our people and their development, Sue Sun-LaSovage joined us as Chief Human Resources Officer, bringing both an engineering background and extensive HR experience at automotive and manufacturing companies. We also welcomed a new director to our Board: Andrea Faracci, formerly a global leader at Citigroup.

As you can see, Hyzon is a fundamentally different company than it was a year ago. We used this time not only to reset and develop a simplified fuel cell-focused commercialization plan, but to start driving execution of this plan across each part of our business.

As the hydrogen ecosystem expands, we continue to see a significant opportunity in the hydrogen production and supply segment through our active relationships and investment rights with the broad set of companies we have announced previously.

Just to illustrate, we announced in January 2023 a collaboration with Raven SR and Chevron to commercialize operations of a waste-to-hydrogen production facility in Richmond, CA which will supply hydrogen to transportation markets in Northern California. Chevron has a 50% equity stake, Raven holds 30%, and we hold the remaining 20%. Raven will develop and operate the facility, currently targeted to come online in 2024, producing up to 5 tons per day of low-to-zero carbon hydrogen from organic waste through Raven's non-combustion reforming process. Hyzon's share can provide fuel for our truck customers at an estimated cost basis that both enables TCO-parity FCEV conversion and additional margin upside for Hyzon.

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. For 2023, we have laid out several of those milestones, including:

1. Deliver our first commercial Class 8 Hyzon FCEV to a major U.S. fleet customer;
2. Produce and validate 25 200kW fuel cell prototypes;
3. Declare C-Sample of the 200kW fuel cell system; and
4. Execute additional commercial agreements with major fleet customers in the US and Europe.

Reaching these milestones will keep us on track to achieve our targeted SOP in 2H 2024 and commercialization.

Of course, a core focus for us in executing this plan is cash and capital management, along with financial performance. With that, I will hand over the discussion to Jiajia, who will go over the numbers and our plans going forward.

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

Thank you, Parker, and good morning, everyone. Thank you for joining us today. I am pleased to serve as the Interim Chief Financial Officer at Hyzon Motors. I am excited about the opportunity to contribute to the company's success alongside the talented team here at Hyzon.

As Parker mentioned at the beginning of the call, as of yesterday, we successfully filed our Q1 2023 Quarterly Report with the SEC and are now current in our periodic reporting obligations. The past 12 months have required a substantial amount of work for our Company and I want to thank all of our dedicated employees, as well as our valued customers, partners, and suppliers for their support and trust.

Under my new role, my team and I have three top priorities: establishing a solid control environment, reducing cash burn by balancing initiatives, and strategically raising capital.

To begin with the control environment: in the summer of 2022, we reported various issues regarding revenue recognition and internal controls and procedures to our Board. Our Board formed a Special Committee of independent directors to investigate, with the assistance of outside counsel and other advisors, these issues. During this period, we identified several material weaknesses and have been diligently working on measures to improve our governance framework.

Our remediation work is ongoing, but significant progress has been made:

First, in terms of the governance structure, we strengthened Hyzon's executive management team in a newly integrated global organization by appointing a new CEO and Interim CFO and creating new roles including COO, CHRO, President of International Operations, and President of North America.

We also hired additional finance and accounting professionals and engaged Big Four accounting firms to assist in analyzing complex accounting matters.

We are in the process of improving IT-related controls such as tightening IT system access control internally and also with our vendors and contractors. Microsoft Dynamics 365 implementation is underway – the US Finance, Inventory, & Procurement modules went live in May 2023. Having a global ERP system is expected to create efficiency and consistency across regions, both from accounting and finance and operation perspectives.

Moreover, we kicked off a Sarbanes-Oxley implementation project in early 2023. We are continuing to review and refine our internal controls, in an effort to ensure they are robust enough to remediate control gaps and deficiencies.

We believe that a strong governance foundation is crucial for our long-term success and to create sustainable value. For details on our internal control enhancements, please refer to Item 4, "Controls and Procedures" in our recently released Quarterly Report on Form 10-Q.

Now, I will dive into our financial results for the first quarter of 2023 and provide an update on our outlook for the year. It's important to note that our discussion today will be based on GAAP financial results unless stated otherwise. We will make reference to non-GAAP measures, including EBITDA and adjusted EBITDA. For detailed information and reconciliations to their most comparable GAAP measures, please refer to the tables at the end of the press release and the slides, which are available in the Investors section of our website.

The critical organization realignment launched in 2022, created additional expenses, which were necessary for Hyzon to re-prioritize and focus on our core. As I walk you through our results, I will point out these items, not only from a GAAP perspective but also from a cash spend perspective.

On to Q1 results. During this quarter, we did not recognize revenue, but we recorded $0.8 million in Cost of Sales which related to cost provisions accrued for customer contract activities and inventory write-downs in Europe.

Our Loss from Operations amounted to $41.0 million in Q1 2023, from $24.5 million in Q1 2022. Operating Expenses (OPEX) increased by 50% year-over-year to $41.0 million in Q1 2023. Notably, $15.7 million represents legal, accounting, and consulting fees, which rose from $6.3 million in Q1 2022. Within this figure, expenses incurred in connection with the Special Committee Investigation, the SEC and regulatory investigations and other litigation matters totaled $7.7 million, reflecting a substantial 184% increase compared to Q1 2022. The outcome of any particular legal matter cannot be predicted; therefore, legal and regulatory expenses could vary significantly from quarter to quarter. But one thing to note is that the Special Committee completed its investigation in March 2023, the costs associated with that were fully accounted for in this quarter, but certain invoices were paid in subsequent months.

To support the streamlined focus on fuel cell technology discussed by Parker earlier, we realigned our employee mix, reducing the headcount in both China and Europe while adding strategic hires in the United States. This resulted in a stable headcount of approximately 330 at the end of both Q1 2023 and year-end 2022. We exited the China commercial vehicle market - in part due to negative gross margin and extended payment terms. As of today, we have not been successful in collecting the remaining outstanding balances from these customers. We also eliminated research and development programs in China, which were deemed not vital to our fuel cell or vehicle platform commercialization in the near-term. We anticipate the annual savings from those programs to be utilized to advance our fuel cell technology.

Below the operating line, it's important to note that net loss attributable to minority interest decreased to $10 thousand in Q1 2023 from $2.3 million in Q1 2022, because we acquired the remaining equity interests of Hyzon Europe in December 2022 from Holthausen Clean Technology Investments B.V. Consequently, the net loss attributable to Hyzon for the quarter amounted to $30.2 million, compared to $6.5 million in Q1 2022. Loss per share stood at -$0.12 in Q1 2023 vs. -$0.03 in Q1 2022.

Now, I would like to turn your attention to our non-GAAP measures. As compared to net loss, we believe EBITDA and Adjusted EBITDA provide a clearer view of our operational performance by removing the effects of legal expenses related to the special committee and the SEC and regulatory investigations, and changes in estimated fair values of private placement warrants and earnout liabilities. In Q1 2023, our EBITDA stood at -$29.3 million, compared to -$7.4 million in Q1 2022. Our Adjusted EBITDA for Q1 2023 amounted to -$27.3 million, compared to -$20.8 million in Q1 2022.

On the balance sheet, we concluded Q1 2023 with $209.0 million in unrestricted cash and short-term investments, down from $255.3 million at the end of 2022. Hyzon used $189.8 million and $46.3 million of cash during fiscal year 2022 and Q1 2023, respectively. As I discussed earlier, in 2022, there were many changes. We incurred additional expenses to realign our business, complete the restatements, and file our delinquent periodic reports. Within the net cash used in operating activities, Hyzon had cash outlays of $16.2 million and $11.4 million for regulatory and legal matters related to the SEC and Special Committee investigations in 2022 and Q1 2023, respectively. There was $4.9 million and $4.7 million cash paid for strategic consulting support services for 2022 and Q1 2023, respectively. There was another $4.9 million and $1.1 million in cash paid to Kenso, the Orten business combination in 2022 and Q1 2023, respectively. In addition, due to the recent restatement effort, we incurred additional accounting and auditing fees, $2.7 million of which was paid in 2022 and $1.0 million was paid in Q1 2023. Additionally, cash used in operating activities included severance payments of $0.7 million made to our former executive chairman and retired CTO in 2022.

We are focused on prudent cash management and have taken or plan to take, the following steps to improve our cost structure and monthly cash burn rate:

- Further reducing the number of vehicle platforms for development and deployment, focusing on anchor customers and their use case demands;
- Centralize supply chain and engineering functions to drive efficiencies;
- Transition Hyzon Europe vehicle manufacturing to third party contract assemblers and evaluate options to expand Hyzon Australia assembly capacity;
- Prioritize hiring around fuel cell and fuel cell powertrain;
- Monetize excess inventory at Hyzon Europe; and
- Further optimize net working capital.

We are beginning to see progress. As of May 31, 2023, unrestricted cash and short-term investments were approximately $185 million, down $24 million from Q1 2023.

Turning to our outlook. As we navigate through the remainder of the year, our key focus will be on advancing the development of our 200kW fuel cell technology and our manufacturing capabilities, while maintaining a vigilant

approach to cash management. The anticipated fuel cell related capex for the full year of 2023 is around $5 million, in part due to anticipated investments in automated single cell manufacturing lines in Bolingbrook, IL.

To support our growth strategy, we are committed to invest in our fuel cell R&D and production. Hydrogen cost and availability have a sizable impact on our R&D material costs. If the commodity price of hydrogen remains the same as 2022, we anticipate 2023 R&D expense to be comparable to the prior year. Additionally, we anticipate stock-based compensation to increase modestly, as we plan to use this to drive alignment between employee performance and company operational results. This approach supports both employee retention and prudent cash management.

Lastly, in addition to cash management, raising additional capital remains a key priority for the company going forward. The broader hydrogen industry is in its early days, so until we can generate sufficient revenue from product sales and services to cover our Capex, Opex, and working capital needs, we will need to raise additional capital to execute the plan outlined by Parker today in our call.

Now, I will hand it over to Sayanta, who will provide insights on our strategic options and capital raising plans.

**Sayanta Dutta, Senior Vice President, Corporate Development, Hyzon Motors Inc.**

Thank you, Jiajia.

At the core, our value is in developing and commercializing our in-house fuel cell technology. Our proprietary single stack 200kW fuel cell system is expected to be a significant differentiator in the market due to the cost, weight and volume advantages mentioned previously. This was even more evident when we were on the floor with other low- and zero-emissions truck suppliers at the Advanced Clean Transportation Expo in Anaheim earlier this year. As you heard from Parker, we are in the process of commercializing our fuel cell manufacturing capabilities from soup to nuts – starting from catalyst ink formulation to building and testing complete fuel cell systems. Paired with our streamlined operations, focused platforms, proprietary FCEV powertrain and asset-light assembly model, we anticipate positive contribution margin for our 110kW US fuel cell EVs to be deployed commercially this year. This provides us with the basic foundation today – a unit economic contribution margin positive product – to build on toward achieving corporate cash flow breakeven. As we look at our liquidity position today and our cash burn in the coming quarters and years, we are positioning ourselves in an effort to provide flexibility for the future while retaining our core value. Essentially, we are dual-tracking our path forward – (1) as Jiajia mentioned previously, we have identified additional cash management levers available to us, which we are prepared to implement if necessary to extend liquidity balanced against impact to the business execution plan; and (2) working through strategic options to raise capital, being structure or transaction agnostic at this stage, as we evaluate these pathways.

To that effect, we have retained a financial advisor and have launched a structured strategic capital raise process proactively. We are currently in confidential discussions with a range of potential strategic counterparties that participate in prioritized segments of the hydrogen ecosystem, ranging from energy producers to technology- and product-driven companies. Current market conditions represent formidable headwinds to raising cash through the public markets, not just for us but for all publicly-traded early-stage growth companies. Our initial stages of engagement with the prioritized counterparties shows potential interest in Hyzon's technology and execution plan combined with the value they see in potential joint offerings that our technology can stimulate. We will remain opportunistic to explore various structures and funding sources that may additionally present themselves to us in the coming quarters, as we continue to evaluate these potential opportunities for strategic capital.

With that, I will turn the mic back to Parker for closing remarks. Parker?

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**

Thanks, Sayanta.

We have made positive and impactful changes to our organization during our quiet period. We have refocused on commercialization of our fuel cell technology and three standard vehicle platforms. We anticipate our proprietary 200kW fuel cell system will pave the way for our customers to achieve FCEV diesel parity while our asset light business model will allow us to achieve positive contribution margin at the truck level from the outset. In the long run, we aim to apply our fuel cell technology expertise beyond vehicles, to establish ourselves as leaders in the growing hydrogen economy. All within a company that is better positioned today in governance, performance management and integrated global execution, while closely managing cash and capital. In the meantime, we will continue progressing towards our primary milestones for 2023.

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. Thank you for engaging with us today in our reemergence, and I look forward to engaging with you regularly in this forum going forward.

With that, let's open it up for Q&A. Operator?

**Question and Answer Session**

**Operator**

[Operator Instructions] Our first question today comes from Rob Wertheimer from Melius Research.

**Rob Wertheimer, Melius Research**

Thank you. Good morning, everybody. So I have kind of a question on go to market strategy and competitive advantage. And I guess there's a specific partner channel but does any durability advantage that you saw from the past history of Hyzon and carry over into the kilowatt? And then could you comment on if so, what your experience is? How many trucks are running? Not in 200 obviously. What the uptime is like, what the journey has been like and whether there was any positives for your customers in that experience?

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**

Those are great questions that we're very focused on. So, on the first question on durability experience and what we're building on. We certainly do have a long history of the fuel cell technology development over two decades. In the same IP and the same technology. The truck deployments that we've done this year under Hyzon. Just focus on that for a second. Which covers a bit of both of your questions. Just six of our trial trucks in the US that have been on the road since March of 2022 with customers and prior to that in in track testing, they've accumulated approximately 30,000 miles across those six trucks. So building experience a lot of additional learnings built into those trucks over that approximately 15-month plus trial testing period with customers in real operations along with the track testing that we continue to see what do beyond that. On the 200kW truck to take that for a second. It is early but we have accumulated 2000 miles already on the Alpha 200kW fuel cell truck. So, seeing how our learnings from the 120kW, 110kW series translate to that has been quite positive as we do have some changes in terms of the thermal management and power management with the 200kW larger fuel cell power.

On the fuel cell itself, again, we do look to incorporate durability results from the 110 over its history. But we are at Hyzon starting from scratch, so to speak, in our durability testing to the 200kW as we run through a proper SOP process. So there's a detailed durability testing plan we're executing against for the 200kW with the three B samples that we've announced, that we've tested and it ran detailed durability testing today at Hyzon leveraging our in-house testing capabilities where we have two full 250kW gross power banks that are full system test and active along with short stack testing along with unit cell testing in MEA testing, that we combined with some outsourced testing labs as

well. We're accelerating and really driving durability testing on the fuel cell itself. Still targeting first 15,000 hours durability and then ultimately 20,000 hour durability, which would equate to 800,000 miles at an average speed of 40 miles per hour. So that durability testing is progressing. Again, it is building on the 110 but we want to be clear, when we go to an SOP with customers the durability that will stand behind is all on the 200kW, and where we stand at the end of 2023, we look forward to updating, which will be significant progress.

**Rob Wertheimer, Melius Research**

Thank you. It's a great response. And then can you just talk more qualitatively about what customers are looking for when you go see them? Obviously 200, a step up in power. I obviously understand the packaging, etc. Could you maybe just delineate the competitive landscape, what people like about Hyzon at this moment, whether you expect trials with a half dozen different fuel cell providers, just what it's like out there when you're going to market?

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**

It's a great question and I'd love to talk a lot longer than I have right now. But briefly, what's great about competitive market environments today is there's a lot of momentum in the industry. When you look at our restructure and our reset with the IRA coming in the US, with the advancements in subsidy programs in Germany, where you get 80% of the difference between an ICE truck and a fuel cell electric truck. but about 900 million euros of funding for that program in Germany through 2024. And additionally, the regulatory drive in California with the Advanced Clean Fleet Rule passing and others coming. You do see customers that are starting to really move to action against the decarbonization goals. So what customers are going to do is they will try a lot of different technologies. We see customers that know, for their application when heavy loads and long range, fuel cell technology is required. And when we engage with them on a 200kW single system single stack, and what that means for our cost structure and for our economics, the fact that we have a positive margin truck today on the 110kW platform. That's a unique statement from what we've seen in the public domain in the space. And that's due to our asset-light business model combined with in-house fuel cell technology. So what customers want, we believe, is a fuel cell truck that works, with the technology that does what it needs to do. 200kW of fuel cell power is really needed to do 80-90% of the route tree that it's typical to activate and eventually long-haul customer executes. And we're confident that our 200kW fuel cell combined with the rest of our powertrain will do that work. And customers want a company and a partner that's going to be there and that for us starts with economically viable trucks. So we're happy to be able to engage with customers on a business model and a cost structure that gives them confidence that we have a model that can scale from that positive margin base and with a technology that provides all the benefits that they need in the truck application and ability to partner with them through that journey.

**Rob Wertheimer, Melius Research**

Thank you. If I can ask just one more. For your patent and IP portfolio. It seems to be shifting more on applied to Hyzon owned as opposed to co-owned. Is the 200kW largely or entirely going to be Hyzon owned technology or is there a continuing kind of sharing between the two entities and I'll stop there and get back in line.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**

Great, thanks. Thanks so much Rob. So, the IP that Hyzon has exclusive rights to in North America, Europe and Australia/New Zealand is owned by Hyzon. 157 patents that we mentioned before, 120 of which are applied to the end-to-end MEA through fuel cell system spectrum, are owned by Hyzon and that is the IP that goes into the 200kW. We exclusively have right to that in mobility in the core markets that I mentioned. And we continue to progress that IP internally in Hyzon. So, for instance, in the MEA area, we're already advancing IP in things like catalyst design and MEA design, right, so that is where Hyzon is pushing forward-- driving that technology forward.

We did mention we are very focused on the 200kW commercialization, however, the 300kW single stack fuel cell system is in development roadmap planning and achieving that future tremendous outcome, when we're ready to launch that officially and take that on will be due to additional advancements that we make likely in things like the MEA for increased unit cell productivity.

**Rob Wertheimer, Melius Research**
Okay, thank you.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**
Thanks so much.

**Operator**

[Operator Instructions] Our next question comes from Michael Shlisky from DA Davidson.

**Michael Shlisky, DA Davidson**
Yes, good morning, and thanks for taking my question. I think Jiajia you had mentioned a couple of different items about the investigation and some of the changeover in technology spending that you've taken over the last year, year, year and a half here. Can you summarize I mean I guess I kind of want to figure out over the last, I guess 18 months, how much of what has been spent was strictly for one-time items that won't be recurring and sound like you have invoices that were still not paid into at the end of March. How much is still left to spend in total on a one-time basis?

**Jiajia Wu, Interim Chief Financial Officer, Hyzon Motors Inc.**
Thank you Mike, this is a great question. As I stated earlier, our legal expense as we outlined in our 2022 10K and also the Q1 2023 10Q, we spent a total of $37.6 million for the period related to the Special Committee investigation and also SEC a regulatory investigation. And as a Special Committee investigation has concluded and we accrued the expenses in Q1 2023, so there the invoices were paid in subsequent lines.

But a couple other things I also want to point out, we did go through the restatement process. So we incurred the accounting and auditing fees related to those as well. And, as I mentioned that in my prepared remarks $2.7 million was paid in 2022 and $1 million was paid in the first quarter of 2023.

The strategic consulting firm was engaged to help us to refocus and we incurred significant amount in those areas as well. So as I outlined earlier, we spent $ 4.7 million in 2022. So we expect our consulting and our legal and also accounting activities to temper down a little bit in the coming 2023, and as we progress and share our additional results with you guys.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**
One thing I would add to that Mike, if you look at our cash burn trend, so Q1 cash burn trending at about $15 million a month and we also posted the end of May cash number and that, from end of March to the end of May that trend reduced to about $12 million a month. So you see some of that. Part of that is starting to come off and we'll see with the special committee investigation concluding and what happens with the other areas that are driving elevated levels of costs, things like accounting, we'll see how much that changes going forward.

**Michael Shlisky, DA Davidson**
Okay, okay, I want to change over to some other questions about ramping up. Let's just be on the supply chain. Where do you stand, have you secured enough things like cylinders or precious metals? And if you needed to get you through these first few quarters of production here? And are they single sourced or do you have multiple options to help you get through that very first phase there?

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**
Yeah, great question. So as I mentioned during the prepared remarks, our target this year is 10 to 20 vehicles deployed for the rest of 2023. We look at supply chain, our fuel cell supply, we're comfortable with, we do source those fuel cells from Horizon today while we're ramping up our plant. Base vehicle supply as I mentioned in our

model, in the US to take that as one example. Supply of those trucks, when we're focused on large fleets largely comes from the customer through their dealer. So we're very comfortable and confident in the supply chain there and the majority of those trucks are already either delivered and shipping or earmarked for shipment. On the componentry we jump with significant inventory on hand. In the US, in Europe, we have considerable inventory given the reset that we have set up for us and available to us. So certainly for the trucks that we're looking at in the build schedule towards the end of 23. There could be still some supply chain risks because there'll be some potential risk and some delivery schedule timing on some of that. But given where we are in the year, and where we are with our with our sourcing, we're generally comfortable with the discomfort that we always have in the industry of supply chain risk.

**Michael Shlisky, DA Davidson**
Okay, okay. One last one for me. Can you maybe comment both more broadly and what's typically on the hydrogen fueling infrastructure, both to your customers and the broader US. I guess more immediately, just Performance Food and your other early customers. How confident are you that they're going to have the supply of hydrogen that they need to make their initial trucks run? Have you gotten a plan from them? And then secondly, I mean, you did mentioned Raven and a couple other groups that you're working with, but could you speak more broadly on how you feel about the infrastructure? Maybe in the US, and then Europe being ready for your eventual ramp up here?

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**
That's a great question. And again, one that given my background, would love to talk about for a very long time, but generally, it varies by market. So let's start actually with Europe and Australia. Europe and Australia, we have channel partners effectively that are focused on delivering a fuel for fleets largely. So we look at a Hylane or Hiringa. In the case of Hiringa, New Zealand is now looking at expanding into Australia. They are developing their fueling market and stations, which we're anticipating coming online to support our leads in Europe, our channel partners work with their end customers directly to develop that fuel. And the customers we're engaging with, they have planned through the channel partners to put that in place. For example, you've announced a significant hydrogen production site in Austria that is going to fuel the trucks that we deliver through them to a store. So that is a very channel partner-led strategy which is great for us, to work through that. The US is where we have more the direct hydrogen investment rights and access to our partners that we've announced. With additional dispensing options already that we have not announced, that range from mobile fueler access for our customers through the third-party partners to behind the fence fueling solutions to public station access. We are focused on California, specifically Southern California, as a great market because you have the three existing heavy-duty stations there. What we believe from our customers, the early fleets are going to largely be back to base. The majority of these fleets fuel behind their fence today. A lot of them have, for instance, a diesel provider come behind their fence and they direct fill or wet hoses the colloquial term their trucks directly overnight. So, when that's your model, you want that going forward. And you also want multiple backup options for supply. So, we are confident and working with our anchor customers in the US for their operations in California that we have through our partners, mobile fueling options that we have providers who can come and do the small scale temporary installs fueling option within scale to more determined solution and the access to public stations when they're available for backup supply, basically. And what's great for Hyzon is a lot of these customers don't want to bother with sourcing fuel directly themselves. Not all of our customers but a lot of them. Because they don't do that today, they actually look to Hyzon to help bring our partners to the table and to provide the option. So, I guess my overarching statement is, the public stations will be there eventually. We can't and won't wait for those to be available. We have options to our partners today. Hyzon's largely not putting capital into what we provide to the customers from the partners, and the slide that we took previously on the example scale of things. See at the bottom of that slide how the fuel will transition. When you look at that year-over-year deployment of trucks, it ties pretty directly to what a reasonable timeframe as mobile viewers start with the first day delivery and continue likely into the second year. We've already made a decision once the first three units are delivered to start permitting on the first behind the fence solutions to install and that permit and installation winds up with a second or third year to listen. So, our scaling plan is not random walk and how we're going to scale. This is a very fine tuned, yearly schedule of what we think is reasonable from a subsidy availability standpoint, from a customer ability to train their facilities and to ramp up their facility team, and from a feeling standpoint to have a mobile install transition.

**Michael Shlisky, DA Davidson**
Thank you for that discussion, I appreciate it. I'll pass it along.

**Operator**

[Operator Instructions] Our next question comes from Bill Peterson from J.P. Morgan. Your line is now open, please go ahead.

**Bill Peterson, J.P. Morgan**

Yeah, hi, good morning, guys. It's good to hear from you after a year off and thanks for the update on the strategy and so forth moving forward. I have a few questions as well. So I guess if we first started off on the positive contribution expectations across you know, 110kW, 200kW low to high volume, can you give us some sense of, I guess what kind of pricing you need to have in that scenario, I mean, so you look at prior company Cost of Ownership calculations as a guide and I'm assuming you're talking maybe $400,000 for vehicle plus, but you know, maybe if you can give us a sense for that it would be helpful as we can think about conceptual modeling going forward.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**

Thanks so much, Bill. It's great to be back in this forum and speaking to you and the rest of the of the group here. Certainly glad to dig into that. So, we've put down a lot of the assumptions on the slides, but all the slides and all the numbers across the slides are related to economics on the contribution margin examples that we have in there. And the TCO slides are all coherence. Right? So, the TCOs that we're showing the approaching TCO parity today with subsidy and the contribution margin included in that is all coherent numbers across a coherent scenario, right. So, you know, we haven't really reset public guidance on pricing. But the examples we're giving are aligned with the commercial ranges we're putting in with our with our fleet and the assumptions that you see in those slides are in line with a range of what we're putting out with the fleet today and what we are expecting potentially for the pricing to do as we approach the 200kW and low volume, the 200kW high volume with expected competitive pricing dynamics going forward. It's a price that we're seeing fleets transact.

The PFG agreements, one case of that, these are fleets that can't afford to put any product on the road that's not going to earn margin for them. And what if we don't have a huge margin in their ops right, so today, we're confident in the contribution margin that we have on the 110 because that's how close we are to production. We haven't put out official guidance on that or the specific number range around the 110 or 200kW yet, and we will look to do that as we're getting into production and have even more direct competence based on actual vehicles put out to fleets. But that contribution margin, I guess, my direct message is it's a margin with a price that's in line with what we've talked about historically. And one that with the HVIP voucher program in California today gets fleets in the use case to a TCO that the company went to start the program that we described, that you see in the potential from the agreement in place with Performance Food.

**Bill Peterson, J.P. Morgan**
Yeah, okay, that makes sense. So, second question for me. If we think about your 200kW, and I understand that you put it into your own vehicles. But if we were to go out a few years, even 2,3, 4 years, would this be something that you would sell to other OEMs? I know you engaging with Hyliion, but I mean, are you working with some traditional truck makers? Are they kind of kicking the tires so to speak? I mean, what would you think would be the long-term strategy between supporting your own vehicles versus potentially supporting, you know, third party OEMs maybe in the second half of the decade?

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**
Yeah, so this is again, a topic that is really critical to Hyzon's future and I'll start with a blanket statement that Hyzon is a fuel cell technology and powertrain deployment company, right. So, we're driving into trucks that we've prototyped ourselves to get them to a mature design to a third-party assembly, because the traditional OEMs we

looked at timeframes they're putting out generally are going to take a long time and we think that the technology is ready now.

That technology as you see with our deal with Hyliion is one that we're excited to work with OEMs or other parties that want to put fuel cell trucks on the road. By the way, that's in trucking today because trucking is ready to go today. We didn't talk about it deeply because it's not our direct focus today. But we still have future applications in mobile power in the aviation ecosystem with ground support equipment, vehicles, and in areas like rail that over time, our fuel cells will go into with a third-party partner that takes our standard 200kW or future 300kW fuel cell at the base. And we're providing a fuel cell system and integration support and they're driving a product that's powered by Hyzon. So, in a truck space, we've disclosed all the major agreements that we have in place today formally, but our goal is to drive real penetration with the 10-ish fleets, major large fleets in the US and 10-ish major large fleets in Europe. We think that over time that can scale to 1000 trucks a year in each region. We know what that does for us in terms of progress towards cash breakeven. And if we are at a place where we have 10 Major fleet customers, which are also major customers of other truck makers in the space, we'll be we believe will be a pretty attractive option to look at collaboration differently in the future. Coming back to the point that our goal was to have a fuel cell power train technology deployed in as many applications as possible. And doing trucks is a mechanism for us to drive that out faster now.

**Bill Peterson, J.P. Morgan**
Okay, yeah, that makes sense. So, I want to come back to the last question for me. Coming back to, I think it was Mike's question, on sort use of cash. Can you just explicitly lay out how we should think about things like OpEx trajectory, and notably on CapEx one timers, and then the legal fees I guess, going forward? I just I think investors really would want to understand how the use of cash and cash burn looks through the balance of the year and potentially in the next year.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**

Great question, I'll pass it to Jiajia.

**Jiajia Wu, Interim Chief Financial Officer, Hyzon Motors Inc.**
Thank you, Bill. Yeah, as I mentioned earlier, and we're looking at our expenses and for the last 15 to 18 months, we incurred a significant amount of legal expense. And then as I stated earlier, the Special Committee concluded its investigation, and those additional accounting and auditing fees won't be recurring. Then looking at one other item I mentioned, is the Orten business combination cancellation. So that expense is cash and in inventory, that's 8.5. So that's non-recurring.

But I think the focus point as I said in my opening remarks is cash management. And we're very focused on improving cash management. And we have taken steps and plan to take additional steps to improve our cost structure. And our focus, I said earlier, is around our R&D and the fuel cell R&D and invest, not only from the personnel and also invest from our manufacturing lines in Bolingbrook, IL. So, we would expect our R&D costs in 2020 will be comparable. We have the commodity price of hydrogen.

And we're not slowing down our R&D in fuel cell technology. And so, as we were looking at our spend going forward and we are very focused on how to deploy all the vehicle platforms, and we're focused on our anchor customers, and we develop our cash use-case, or models, around our anchor customers and how to go to market and promote and commercialize all vehicles and turn our working capital time.

So those are a couple of just the highlights. I would refer you to the details in the back of our MD&A discussions included in our Q1 2023 on the form 10-Q.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**
Yeah, no, I'll just add to that. So, you look at some of the major points. Jiajia gave a view on R&D, on capex. We gave a view on 2023. You look at the path to 200kW SOP, which is 2024. It's less than $10 million of CapEx left to get to SOP. So, this is not a CapEx heavy area in terms of fuel cell stack and system assembly. The MEA line that

we have, it's already producing and is on a path to commissioning. That line we're comfortable in what the SOP can scale to considerable capacity and supply what we need over the coming several years as being the bottleneck that over time. So, the CapEx left in a fuel cell plan is really around single cell stack and assembly automation, quality installed camera technology, et cetera and that's less than $10 million to get to SOP in 2024. And we're not guiding our core OpEx now.

But I will say, you look at the cash burn trending monthly that we talked about before from Q1 to the first two months of Q2. But the legal and other elevated cost level that Jiajia spoke to the Special Committee investigation, which have now ended and with costs all accounted for in quarter 1. And having expect that to potentially pending what happens with the other ongoing investigation. And of course, are very, very focused on our core SG&A. And on we've gone through the reallocation of shutting down two thirds of our vehicle R&D, doing a material staff reduction in China, producing staff in Europe and reallocating that towards the fuel cell plant side, and we'll continue to very closely manage that with additional levers because we know that we can deploy.

**Bill Peterson, J.P. Morgan**
Thanks for the additional color.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**
Thank you.

**Operator**
This brings us to the end of our Q&A. I will now hand it back to Parker Meeks for any further remarks.

**Parker Meeks, Chief Executive Officer, Hyzon Motors Inc.**
Thank you so much for joining us today. We're excited again to be back in this forum and after a long break to finally be communicating in this forum again, so I look forward to providing additional updates soon. Take care.

**Operator**
This concludes today's conference call. Thank you all for your participation. You may now disconnect your lines.