



Solid Power, Inc.
Second Quarter 2024 Earnings Conference Call
August 6, 2024 – 2:30pm MT

C O R P O R A T E P A R T I C I P A N T S

Melanie Solomon, *The Blueshirt Group, Investor Relations*

John Van Scoter, *President and Chief Executive Officer*

Linda Heller, *Chief Financial Officer and Treasurer*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Chris Pierce, *Needham*

Michael Shlisky, *D.A. Davidson*

Operator

Greetings, everyone, and welcome to the Solid Power Second Quarter 2024 Earnings Conference Call.

At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, and zero, on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Melanie Solomon, Investor Relations. Thank you. Ms. Solomon, you may begin.

Melanie Solomon

Thank you, Operator.

Welcome everyone and thank you for joining us today.

I'm joined on today's call by Solid Power's President and Chief Executive Officer, John Van Scoter, and Chief Financial Officer, Linda Heller.

A copy of today's earnings release is available on the Investor Relations section of Solid Power's website, www.solidpowerbattery.com.

I'd like to remind you that parts of our discussion today will include forward-looking statements as defined by U.S. Securities Laws. These forward-looking statements are based on Management's current expectations and assumptions about future events, and are based on currently available information as to

the outcome and timing of future events. Except as otherwise required by applicable law, Solid Power disclaims any duty to update any forward-looking statements to reflect future events or circumstances.

For a discussion of the risks and uncertainties that could cause actual results to differ materially from those expressed in today's forward-looking statements, please see Solid Power's most recent filings with the Securities and Exchange Commission, which can be found on the Company's website at www.solidpowerbattery.com.

With that, let me turn it over to John Van Scoter.

John Van Scoter, President and Chief Executive Officer, Solid Power, Inc.

Thank you for joining us today.

In early 2024, Solid Power outlined four key goals; expand our electrolyte capabilities and market reach, advance our A-2 sample cell designs, execute our partnerships effectively, and strengthen our presence in Korea.

Overall, I view our progress through the first half of the year positively, as we continue to be laser focused on the challenges and opportunities ahead of us in order to commercialize what could be a step function improvement in battery technologies. During the past three months, we increased our electrolyte sample shipments to potential customers. I am pleased with the pace of electrolyte sampling with many repeat shipments to OEMs, and we continue to receive encouraging feedback.

On the cell side, we are primarily focused on our continued advancements in A-2 cell design, which has been designed to meet our very high standards, with the improvements aimed at higher performance and our relentless pursuit of safety.

Next, I'd like to highlight some successes with our key partners. First, SK On, with which we greatly deepened our relationship in January of this year, is going according to plan. We completed the first milestone under our R&D License Agreement and made strong progress on deliverables under the Line Installation Agreement.

Following the training we completed with SK On in April, our focus has been on continuing to share information on our cell development program and preparing for installation of SK On's line in Korea. It is no small undertaking to design and install an EV line and we are thankful for SK On's strong partnership. The next step is to begin factory acceptance testing of certain equipment. Overall, we remain on track to have SK On's new EV cell line up and running by mid-2025.

Next, Ford continues to be a key partner for us as we collaborate with them on various projects on both the cell and electrolyte side of the house. We look forward to sharing relevant updates in the future.

Lastly, we continued to collaborate with the BMW employees embedded at our Louisville facility and visit with them in Germany. Last month, we extended our JDA with BMW until the third quarter as we negotiate a longer-term JDA extension with BMW. After demonstrating our ability to scale from a two amp hour cell to a 20 amp hour cell and finally to the 60 amp hour A-1 EV cell under the original JDA, we expect the extension will be heavily focused on improving the cell design and advancing cell performance, with a shared ultimate goal to see an all-solid-state cell commercialized.

As with all of our partnerships, our relationship with BMW is a truly collaborative process and we expect we will have a JDA extension that is mutually beneficial to both companies, especially with our desire to see BMW be successful with its forthcoming solid state line. As we discussed in the last call, we have been in discussions with BMW regarding their democar program and how we can support it, and we promised to provide more information as we have better clarity.

I am pleased to report that BMW successfully built modules using the A-1 cells we shipped previously to BMW. Each module contained 72 cells with 60 amp hour capacity. BMW was able to use those modules to conduct testing, including initial drive cycle testing. Overall, we view this as a remarkable achievement by both companies and from which we each learned a lot. However, with the expected focus on the forthcoming extended JDA to be on cell performance improvements, BMW has paused future deliveries of cells for the democar program. As we progress with our development program, we plan to discuss with BMW future opportunities for a democar using Solid Power technology.

Moving on to our efforts in Korea, in addition to the significant work we are undertaking with SK On, we continue to strengthen relationships across the Korean and Japanese battery landscape. The establishment of a dedicated team in Korea, who have much easier access to Japan than they would from Colorado, underscores our efforts to engage stakeholders and drive further growth in those technology rich locations.

We have recently expanded our team in Korea to add business development capabilities. This enables us to further support our collaboration with SK On and increase activity in the Korean and Japanese battery ecosphere. We are talking with most of the major players in Korea and Japan, ramping electrolyte sampling activities with the end goal of developing another global customer. We are repeat sampling with some and providing new sampling with others, and all-in-all, we are encouraged by these engagements. Overall, I remain encouraged by the progress we are making with our objectives for 2024.

Now, I am pleased to introduce our new CFO, Linda Heller, on her first earnings call today with Solid Power. Linda and I worked together for more than four years at eSolar, and she has deep expertise in the renewable energy industry, paired with successful experience as a CFO. With Linda as our new CFO, we are updating our financial plan, which has resulted in our adjusted annual revenue guidance. Linda will go through further detail as it primarily relates to technical accounting matters, but I will say that this revision does not impact our long range plan on the cash runway necessary for commercialization of our technology.

I'm thrilled to be working alongside Linda again as we continue to execute toward our key strategic milestones, strengthen our leadership position in solid state battery technologies, and deliver long-term Shareholder value. Linda?

Linda Heller, Chief Financial Officer, Solid Power, Inc.

Thank you, John.

I'm glad to be joining for my first call at Solid Power. Please excuse my voice as I am a bit under the weather.

I'll start with the Q2 Results, beginning with revenue. Solid Power delivered \$5.1 million in revenue during the second quarter of 2024, primarily driven by continued execution on our collaborative arrangements and government contracts. Operating expenses were \$32 million, driven by increased production costs and labor associated with cell and electrolyte development, scaling of operations and execution under joint development agreements and other collaborative arrangements.

Operating loss was \$26.9 million and net loss was \$22.3 million, or \$0.13 per share. Capital expenditures totaled \$4.4 million, primarily representing investments in the electrolyte production capabilities, including the build-out of a new electrolyte research and development lab.

Solid Power's liquidity position remains strong, with \$358.8 million of total liquidity as of June 30, 2024. In addition, accounts receivable totaled \$12.3 million, deferred revenue was \$10.1 million, while total current liabilities were \$22.9 million.

Turning to the second half of the year, we continue to expect fiscal year 2024 cash used in operations to be in the range of \$60 million to \$70 million and capital expenditures to be in the range of \$40 million to \$50 million. Included in these ranges is approximately \$35 million in operational and capital investments the Company deferred from 2023. Total 2024 cash investment is expected to be in the range of \$100 million to \$120 million.

We are reducing our 2024 revenue guidance to be in the range of \$16 million to \$20 million. While the business is on track, and we are hitting our milestones with partners, there are two factors impacting our expected revenue for the year. First, in reviewing the accounting treatment of the SK On agreements, not all of the originally projected revenue will be recognized in 2024. A portion will need to be recognized in 2025.

Second, while we continue electrolyte sampling and are receiving positive feedback on performance, the uptake and development have been slower than originally forecasted, though not unexpected, and is also playing into our revised forecast, to a lesser extent. We continue to work closely with partners and strategic players to optimize and accelerate electrolyte production volumes for ASSB technology. We have a strong balance sheet with which to execute, and I am excited about the Company's plans and prospects.

As John mentioned, the revenue revision does not impact our long-range plan on the cash runway necessary for commercialization of our technology. We maintain our long-held position as a capital-light ASSB player, and therefore we do not rely on near-term revenue to support our long-term commercialization pathway.

I'm honored to be here at this pivotal time in the Company's trajectory, and I look forward to meeting many of you in the coming months.

I'll now turn it back to John for closing comments before your questions.

John Van Scoter

Thank you, Linda.

In closing I'm pleased to reiterate that the Company remains on track to achieve our goals for 2024. I would like to thank our employees, partners and stakeholders for their loyalty and dedication. We are planning to hold an Analyst and Investor event in December to deep dive into our technology, strategy, long-term model, and will share more details in the coming months.

We will now take your questions. Operator?

Operator

Ladies and gentlemen, at this time we will begin the question-and-answer session. If you would like to ask a question, please press star, and one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, and two if you would like to remove your question from the queue. For participants using speaker equipment it may be necessary to pick up your handset prior to pressing the star keys. One moment while we poll for questions.

Our first question today comes from Chris Pierce from Needham. Please go ahead with your question.

Chris Pierce

Hey. Good afternoon, everyone. Just on the second point you made on the revenue guidance reduction, the slower uptick in electrolyte development, is that just broadly a lagging indicator in terms of how OEMs are feeling about EVs at the moment? Or is there something, a deeper thought around that?

John Van Scoter

Good day, Chris. I think, I would credit it more to just being a very early stage of the market. When we started the year, we looked into the back half and thought some of the early players would be taking some measurable quantities in the second half. That really hasn't materialized thus far. But it's not unusual for a market that is so nascent as the ASSB market is. We look forward to updating it and improving it as we go forward, but that's the way it looks to us right now.

Chris Pierce

Okay. Then I know that just lastly, the BMW, the JDA has been extended a couple times. Is it normal for there to be a pause, and—I want to make sure I frame it right—but a pause in A-1 deliveries as you reset the agreement to a longer date or is it that the A-2 cell is coming with the next thing anyway, so the A-1 cell, there's nothing to read into there? I just want to make sure I have the moving pieces right.

John Van Scoter

Yes. I think your summary in the latter case is correct, where we got a lot out of the A-1 work at the module level as I indicated. Both companies are very pleased with the progress there. But with A-2 really eminent, the mutual decision was to go ahead and pause the current cell deliveries and refocus around the performance improvement of the A-2 cell later this year.

Chris Pierce

Okay. Thank you and good luck.

Operator

Our final question today comes from D.A. Davidson. Please go ahead with your question.

Michael Shlisky

Hi. Good afternoon. It's Mike Shlisky of D.A. Davidson. Hey, in the past quarter or two, you've talked a little more about OEMs beyond the two plus SK, you had in the pipeline—interest from other companies for your products. Has the pipeline gotten any larger or smaller over the last few months? Or anything you can comment on, interest from other people in Solid Power at the current time?

John Van Scoter

Sure. Good to hear from you, Mike. Yes, I would say two things. The pipeline is continuing to grow. We had an objective to sample as many as 15. We're over 10 now and it continues to grow. But equally as important, we've had a lot of multiple sampling to existing potential customers within this period of time. Some of them are sampling five or six times as we've gone through the last 90 days. We give them a sample, they evaluate it, they integrate it into their cell design, give us feedback. We modify it, give them a different sample and rinse and repeat. That's as important, I think as just the sheer number is the amount of interaction we've had with the folks we have been sampling since the beginning of the year.

Michael Shlisky

Great. Thanks for that. Maybe just to follow-up on that answer, you're saying the samplings are with the current three main customers. I think you mentioned around 10 or 12 companies were looking at your products last quarter. Are these the same companies, first of all, and has there been any progress since last time as far as either coming to an agreement or their intensity of checking out your technology?

John Van Scoter

Yes. We have added since the last call additional new customers in that sampling program and then the ones that we have been sampling prior to that, again, we've done multiple samples to a number of them as a strong indication of their interest and of the progress.

Michael Shlisky

Okay. Thank you very much. I will leave it there.

John Van Scoter

Thank you, Mike.

Operator

With no further questions at this time, I'd like to turn the floor back over to John for any closing comments.

John Van Scoter

Thank you for joining the call today everyone and for your interest in Solid Power. We look forward to updating you again next quarter.

Operator

This concludes today's teleconference. You may now disconnect your lines at this time. Thank you for your participation.