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ChargePoint Holdings, Inc. (CHPT)

Q2 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, good afternoon. My name is my Mai and I'll be your conference operator for today. At this time, I would like to welcome everyone to the ChargePoint's Second Quarter Fiscal 2022 Earnings Conference Call and Webcast. All participants' lines have been placed in listen-only mode to prevent any background noise. After the speakers' remarks, there'll be a question-and-answer session.

I would now like to turn the call over to Patrick Hamer, ChargePoint's Vice President of Capital Markets and Investor Relations. Patrick, please go ahead.

Patrick Hamer

Vice President, Capital Markets & Investor Relations, ChargePoint Holdings, Inc.

Good afternoon and thank you for joining us on today's conference call to discuss ChargePoint's second quarter of fiscal 2022. This call is being broadcast over the web and can be accessed on the Investors section of our website at investors.chargepoint.com. With me on today's call are Pasquale Romano, our President and Chief Executive Officer, and Rex Jackson, our Chief Financial Officer.

This afternoon, we issued our press release announcing results from the second quarter of fiscal 2022 ended July 31, 2021, which can be found on our website. We'd like to remind you that during the conference call, management will be making forward-looking statements, including our fiscal third quarter and full-year 2022 outlook and our expected investment and growth initiatives. These forward-looking statements involve risks and uncertainties, many of which are beyond our control and could cause actual results to differ materially from our expectations. These forward-looking statements apply as of today and we undertake no obligation to update these statements after the call. For a more detailed description of factors that could cause actual results to differ, please refer to our Form 10-Q filed with the SEC on June 11, 2021, and our earnings release posted today on our website and filed with the SEC on Form 8-K.

Also, please note that certain financial measures we use on this call are non-GAAP. We reconcile these non-GAAP financial measures to GAAP financial measures for the current quarter in our earnings release and for our historical periods in our investor presentation posted on the Investors section of our website. And finally, we'll be posting the transcript of our call today to our Investor Relations website under the Quarterly Results section.

And with that, I'll turn the call over to Pasquale.

Pasquale Romano

President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

Thanks, Pat, and thanks to all for your interest in ChargePoint and joining us for our second quarter earnings call. I'll provide a business update to give you some perspective before turning the call over to Rex for financials and an update of our guidance reflecting our revenue momentum. We are pleased to share more about the execution against our plan and our strong quarter for ChargePoint. The results from this quarter can be described with one word, scale, scale across our three verticals and scale in both North America and Europe.

We are a larger company than we were pre-COVID and growing more quickly. This quarter, from both the quarter-over-quarter and year-over-year perspective, exceeds revenue growth rates from the quarter that ended on July of 2019. We had strong commercial execution as businesses of all types continue to invest in EV charging for their customers, employees, and visitors. Interest in EV charging solutions from fleet operators continues to be high. In June, we announced the industry's most comprehensive fleet charging portfolio. Earlier this month, we announced the acquisition of ViriCiti, a leading fleet vehicle management provider. And we expect the addition of team, customers, and technology from this acquisition to further strengthen our reach in e-bus and commercial fleet.

In residential, demand for home charging continued to be strong and our ability to serve all types of residential settings is a differentiator. From a geographical perspective, our North American execution remains strong as businesses continue to recover from the effects of COVID. Europe is growing quickly. Our activated port count is up 44% in Europe for the first half of the year versus BloombergNEF European public connector growth of 13% over the same period. We expect our position in Europe will expand meaningfully following the close of the acquisition of has·to·be post-regulatory approval, with the addition of their networked ports under management position added to our existing position. has to be has a talented team, robust technology, and an impressive base of customers, including Aral, Audi, GP JOULE, IONITY, and Porsche, just to name a few.

Before I jump into the business, I'll share a few comments on the market tailwinds supporting electrification more broadly. As we have said, ChargePoint's success is directly tied to the arrival of electric vehicles. BloombergNEF published its electric vehicle outlook in June which was the first major increase to their outlook in five years.

Sales of EVs accelerated in North America and Europe in the first half of 2021. According to BNEF, North America EV sales were up 97% year-over-year for the first half, and European EV sales were up 153%. We are witnessing more vehicles coming to market in exciting form factors for a broad array of use cases. We continue to test new vehicle models that run the gamut of passenger fleet and transit in our state-of-the-art test facility in Campbell, California.

Turning to policy, much continues to evolve. On vehicle and emissions policies, President Biden issued an executive order calling for half of all new vehicles sold to be zero emission by 2030. The Trudeau administration set a goal of 100% zero-emission vehicle sales by 2035, and the EU Fit for 55 package announced in July provides the sectoral policy tools to meet the 55% emission reduction ambition by 2030. It's an effective mechanism to hasten the transition to the BEVs. This collection of efforts has the support of many major automakers. It helps create category awareness and we expect the pace of electrification to continue to accelerate. We are also seeing unprecedented progress in infrastructure funding.

In the US, we were pleased to see the Senate include $7.5 billion to expand charging in the recently passed bipartisan infrastructure bill. The Speaker of the House has committed to voting on this bill by September 27. The Senate has also passed a $3.5 trillion budget framework which is backed by the President and includes instructions for lawmakers around changes in the tax code to make the President's EV goal more attainable.

The budget framework was adopted by the House last week. We are closely tracking the drafting of this legislation and other actions in Congress with potential incentives for EV charging for communities and fleet. States play an important part in infrastructure funding independently and in crafting mechanisms for the disbursement of federal funds.

California is a leader and an influential market. The passing of a state budget that included up to $3.9 billion for zero emission vehicles and charging incentives over the next three years will support continued infrastructure build out. We believe we are well-positioned to enable our customers to leverage public funding in addition to ongoing private investment. Our teams have more than a decade of grants management experience having worked with federal agencies or regional governments and local partners to successfully build charging to support communities and connect corridors.

Turning to our verticals, first let's look at what's happening in commercial. It enjoyed its best quarter yet with sequential billings growth of over 46% and year-over-year billings growth of over 90% from the same period last year. As a technology company with software at our core, we are pleased to report subscription revenue for the quarter grew 12% from the first quarter and 23% year-over-year. We finished the quarter with approximately 118,000 active ports on our network, an increase of about 6,000 ports sequentially. This includes over 5,400 in Europe, up from over 4,700 ports last quarter, not including the approximately 40,000 ports to be integrated on the close of the has·to·be acquisition.

Exciting deployments with auto dealerships both North American and European as well as fueling and convenience locations like Kum & Go led to a record quarter for shipments of DC fast ports. The total fast charge ports in our network grew to over 3,700 as of quarter-end. We continue to work with the industry to enable drivers to roam across networks in North America and Europe. This quarter, we crossed over 200,000 roaming ports accessible to drivers using ChargePoint.

In fleets, we had a record quarter with growth of 187% year-over-year from a billings perspective. We believe fleet represents an enormous opportunity for ChargePoint and we are seeing activity across the vertical, including delivery and logistics, transit and work vehicle fleets. RFP activity is widespread. In June, we successfully unveiled what we believe is the industry's most comprehensive charging portfolio that was designed with our fleet management software at its core to ensure cost-effective operational readiness for fleets of all types and sizes. The recently closed ViriCiti acquisition extends existing ChargePoint functionality with direct vehicle data enabling additional functionality including battery health monitoring, OEM-agnostic telematics vehicle maintenance support and vehicle operations data. Fleet managers are focused on integrated vehicle and charging visibility, access and control. And we believe that the combined offering of ChargePoint and ViriCiti will be a force in this space.

In the residential vertical, our strategy to serve all needs is paying off. These include single-family residences, apartments and condominiums and employers who offer electric vehicles bundled with home charging made available through leasing companies. Crossing over from the fleet vertical, employers requiring employees to take work vehicles home overnight use our home charging services that enable fuel cost reimbursement for overnight charging. Q2 residential billings were very strong, up over 79% year-over-year and 43% sequentially. We continue to offer seamless access to EV charging with integrations into leading consumer platforms.

This quarter with our strategic partner, Mercedes Benz, we announced a new benchmark for EV charging in North America, with ChargePoint powering a Mercedes me Charge vehicle ecosystem to be launched with the all new EQS luxury sedan and included with all EQ future mobility products from Mercedes Benz. With our software, drivers can seamlessly find, navigate, connect and securely pay for charging in the vehicle and from the Mercedes me app across the ChargePoint network and roaming partners, including charging in access controlled environments like workplaces, shopping malls and hotels.

Our customer growth continued in the second quarter, building off a strong start to the year where we eclipsed 5,000 customers. We continue to see a steady rebuy rate of well over 60%. We are adding customers quickly while growing with existing customers rapidly.

ChargePoint continues to invest heavily in our team. We finished the quarter with over 1,000 employees. As a technology company, we are especially proud of our engineering and technical staff that tops more than 500, not including the capable team of ViriCiti and the additional expected team following the close of the has·to·be acquisition. The teams managing our supply chain have navigated a dynamic environment, and Rex will give you more color on margins and how ChargePoint is navigating through this global headwind, including responding to the demand for our product in the second quarter that exceeded our forecast.

Before turning it to Rex, I'd like to reiterate that ChargePoint's scaling of the new fueling network is generating notable environmental impact, having enabled over 3 billion electric miles driven and have already 462,000 metric tons of greenhouse gases and roughly 120 million gallons of gasoline by the end of Q2.

Rex, over to you for financials.

Rex S. Jackson

Chief Financial Officer, ChargePoint Holdings, Inc.

Thanks, Pasquale, and good afternoon, everyone.

First, my comments are non-GAAP where we principally exclude stock-based compensation and the effect of the valuation of our stock warrants. This quarter we also exclude legal expenses associated with our secondary offering completed in July, our ViriCiti acquisition completed in August, and our pending acquisition of has·to·be we announced in July and expect to close later this calendar year. For a reconciliation of these non-GAAP results to GAAP, please see our earnings release.

Second, after a quick review of our results, I will provide revenue estimates for fiscal Q3 and for the fiscal year.

Third, consistent with our March and June calls and as you can see in our earnings release, we report revenue along three lines: networked charging systems, subscriptions, and other. Networked charging systems represents our hardware, all sold with our cloud services solutions. Subscriptions includes those cloud services, our assured warranties and our ChargePoint-as-a-Service offerings where we bundle our solutions into a recurring subscription. Other consists of energy credits, professional services, and certain non-material revenue streams.

Q2 revenue was $56 million, up 61% year-over-year, well above the high end of our previously announced guidance range of $46 million to $51 million and up 39% sequentially. The top line success was across all verticals and geographies. Networked charging systems at $41 million was 73% of total revenue for the quarter and grew 91% year-on-year and 53% sequentially. Subscription revenue at $12 million was 22% of total revenue and up 23% year-on-year and 12% sequentially.

Subscription growth trails networked charging systems revenue growth for three primary reasons: First, mix, as both DC networked charging systems and home have a lower ratio of subscription to hardware revenue than our overall average; second, our quarterly sales are typically strongest in the third month of each quarter, which amplifies networked charging system revenue taken at shipments versus ratably recognize subscriptions; and third, for most of our solutions, we begin revenues for subscriptions at a fixed time after the associated hardware shipments to accommodate installations.

We are particularly pleased that our deferred revenue from our subscriptions, representing recurring revenue from existing customer commitments and payments, hit $100 million this quarter for the first time. Other revenue at $3 million and 6% of total revenue decreased 16% year-on-year due to lower utilization-based energy credits, but increased 10% sequentially.

We look at verticals from a billings perspective. Billings by vertical for Q2 were commercial 75%, fleet 12%, residential 11%, and other 3%, consistent with billings by percentage for Q1. We are very pleased to see strong growth, total billings up 87% year-on-year and 42% sequentially on consistent mix, demonstrating strength across all our verticals.

From a geographic perspective, Q2 revenue from North America was 91% and Europe was 9%, consistent with recent breakdowns by geography. Europe held its percentage on a high growth quarter with its best quarter ever at $5 million in total revenue and up 38% year-on-year and 42% sequentially.

Our customer rebuy rate, a cornerstone of our business model and reflecting our land-and-expand strategy, remained over 60% of total billings, a compelling indicator since we add hundreds of new commercial customers per quarter. And from the scale perspective, we also continued our channel success with approximately 62% of our business driven by our channel partners and continuing to add partners at a strong rate.

Turning to gross margin. Non-GAAP gross margin for Q2 was 23%, flat to Q1. Continued improvements in our cost of goods sold and renewed strength in commercial offset supply chain challenges, particularly incremental logistics costs, which had an approximately 3 point negative impact on gross margin for the quarter. Non-GAAP operating expenses for Q2 were $53 million, a year-over-year increase of 70% compared to a COVID-impacted prior year quarter, and a sequential increase of 13%.

We continue to invest heavily in sales and marketing to support our land-and-expand model in North America and Europe, in R&D and operations to support significant new product development and a rapidly expanding customer base and G&A expenses to support continued growth in the business and increased public company related expenses.

Looking at cash, we finished the quarter with approximately $618 million, with approximately $44 million from warrant exercises resulting from the redemption of our public warrants, offsetting cash used by operations. We have funded in Q3 thus far approximately $80 million of our $90 million acquisition of ViriCiti and on completion of regulatory review, we expect to fund the cash component of the has·to·be acquisition at approximately $135 million potentially also in Q3. As a reminder, this acquisition is a blend of cash and stock, and I'll cover the stock in a minute.

Pasquale spoke about the strategic and operating merits of both transactions. From a financial perspective, we expect these two acquisitions combined to contribute approximately $4 million in total revenue in Q4, to be generally accretive to gross margin, to add approximately $8 million to $10 million in combined operating expenses in Q4 and to provide synergistic sales opportunities for both our hardware and software. Our new guidance, which I'll provide shortly, reflects ViriCiti's expected contributions since the August close and assumes has·to·be closes in late Q3. I do not expect to provide future breakouts for these acquisitions, but wanted to give you a sense of initial sizing as we integrate them into our operations.

Regarding share counts, during the quarter, we issued 8.8 million shares of common stock in connection with the final SPAC merger earn-out, 4.4 million shares of common stock in connection with warrant exercises and 3.9 million shares under our employee stock plans. We finished the quarter with 322 million shares outstanding. After giving effect to the acquisition of has·to·be, we expect to have roughly 328 million shares outstanding. And finally, we completed an underwritten secondary offering in July for 13.8 million outstanding shares held by existing stockholders in order to improve our float and broaden our stockholder roster. ChargePoint offered no primary shares on this transaction.

Turning now to guidance, as Pat mentioned, demand for our solutions in Q2 outstripped our expectations and production ramp, and we continue to watch, as we all do, the COVID situation, including its implications for ongoing supply chain challenges and heightened logistics costs. Despite these factors, we turned in a strong first half performance and are excited about our revenue momentum going into the second half.

Accordingly, for fiscal Q3, we expect total revenue of $60 million to $65 million at midpoint an increase of 72% versus Q3 of last year and a sequential increase of over 11%. For the fiscal year, we are taking our revenue guidance up 15% from $195 million to $205 million to $225 million to $235 million at the new midpoint representing a 57% increase year-on-year.

And with that, I'll turn the call back to Pat.

Pasquale Romano

President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

We'd like to thank you again for your interest in ChargePoint. We are very proud of our quarter defined by broad and accelerating scale in North America and Europe across each of our three verticals. We believe our technology, capital-light business model and market share position us well to continue to execute in this very exciting market.

QUESTION AND ANSWER SECTION

Operator: We will now begin the QA session. [Operator Instructions] The first question is from Gabe Daoud with Cowen. Please proceed.

Gabriel J. Daoud

Analyst, Cowen and Company, LLC

Q

Hey, good afternoon, everyone. I was hoping we could maybe just start with the financials for a bit. Just noticed there's a margin degradation on the subscription line quarter-over-quarter. It looked like it was only 35% in 2Q. I think they've been closer to 50% in prior quarters. Is there anything that, Rex, you can maybe point to there as to what drove that degradation sequentially?

Rex S. Jackson

Chief Financial Officer, ChargePoint Holdings, Inc.

A

So, as you know, in the subscription line – just the full line, yeah. So, the two things that we charge against that line from a COGS perspective are the call center costs. It's where we're supporting hosts and drivers. And then, we also, clearly when you have Assure warranties in your favor – or sorry – in your contract, any costs to repair that we have go against that. I would say, there's nothing unusual in the quarter that would suggest something that's a long-term trend in that regard. So, I think it's just an anomaly. Thank you.

Gabriel J. Daoud

Analyst, Cowen and Company, LLC

Q

Got it. Got it. Thanks, Rex. And then...

Rex S. Jackson

Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah.

Gabriel J. Daoud
Analyst, Cowen and Company, LLC

Q

...I guess, as a follow-up, could you maybe just talk a little bit about the supply chain situation currently? Obviously, you guys continue to do a nice job offsetting an increase in logistical costs, but just curious what you guys are anticipating moving throughout the rest of this year?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

So, that's a great question. In Q2, I'd say we did a nice job managing it. You could probably tell looking at the balance sheet, we're not able to build inventories. So, we're very much procuring and shipping. We did run into a little bit of more demand than we could meet. So, there were some shipments that didn't happen due to supply chain. The biggest issue is mostly higher logistics costs, but to a lesser degree, there are some component shortages out in the market. So, again, I think we managed that really well. It hit us 3 points in Q2. Without that, we would have hit 26% gross margin showing some nice progression from Q1.

If you look at the second half of the year, we've got a pretty steep ramp for Q2, Q3 from a revenue perspective, sort of putting an enormous amount of pressure on our operations team and our supply chain partners and CMs to meet those numbers. And so, we have – in our guidance, we've tried to take all of that into account. I do think there's going to be X number of points, mid to low single digits pressure on us from a gross margin standpoint as we bang through that.

I will just tell you, and Pat can back me up on this, we've – because of our model, which is land and expand with customer, you need to – we're pushing top line to make sure we capture the territories or the customers as we go. So, that's where the emphasis is. And so, if we have to make that tradeoff, we will.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

One more point on that. Because every port that we sell is associated with a subscription to software, that's very low churn. The way we look at the overall contribution from a port from a margin perspective is over the lifetime of that port. Because the churn rate is so low, the software revenue accumulates nicely over the years. So, it's imperative that we ship as many ports as we seemingly possibly can, so biasing our supply chain activities to making sure that we can not only acquire new customers, but expand within the footprint that we have. I think we get it back in spades over the years. We just have to meet our customer demands right now.

Gabriel J. Daoud
Analyst, Cowen and Company, LLC

Q

Understood. That makes sense. Thanks, Pasquale and Rex. Just one more. Just, now with ViriCiti in the fold, could you maybe just talk about conversations with fleet operators? Obviously, there's plenty of competition within that channel. Could you maybe just highlight how impactful having the vehicle telematics is from a potential business perspective? And maybe also just talk a little bit about some of ChargePoint's competitive advantages on the software side for fleets versus some of your competitors?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Well, from our perspective, especially given that it's very early innings in fleet and fleet operators don't have a tremendous amount of experience with electrification, to say the least, the completeness of a portfolio and the pre-integration we think is a huge differentiator in being able to establish ourselves early with these fleet customers as they convert their fleets from fossil fuels to electricity. So, pursuant to that, what we're investing in both organically and with the ViriCiti acquisition inorganically is having as large a portfolio as possible.

With respect to ViriCiti in particular, the functionality that they add on the vehicle side extends beyond just raw telematics. It includes high level functionality like battery health monitoring and other driver vehicle support functions and reporting functions that they have. Where that comes into play is in specific sub-verticals within the fleet space. Very, very large fleets typically will already have a telematics provider that they're working with and were pre-integrated with all of those, the usual suspects there or continuing to integrate with a larger set.

For the long-tail fleet, that is often not the case. And for eBus, that is often not the case. So, having the specific vehicle telematic offering in the portfolio really reduces the integration complexity for someone that's in one of the segments that is not – hasn't currently picked a partner or that doesn't have the wherewithal internally to really do those sorts of integrations themselves.

So, what we're trying to do is much like – the way I example it is the way that you would purchase potentially an ERP system, but you may not buy every plug-in for that ERP system from ERP system vendor, but you like having the fact that some customers have the ability to pick and choose from a basket of things that surround the core functionality. I think this market heads in generally the same direction.

So, from a differentiation perspective, it is the completeness of offering, we think we've got a good one there and are going to continue – and are continuing to invest. But most importantly, I'll draw also your attention to the number of third-party services that we're integrating with as well that are in the fleet ecosystem on the software side to make the adoption of this very, very simple process.

Gabriel J. Daoud
Analyst, Cowen and Company, LLC

Q

Really helpful. Thanks, guys.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah. Hey, Gabe, one thing. This is Rex again. On your first question, you caught me a little flat-footed there until it dawned on me that you're looking at GAAP numbers, not non-GAAP numbers. So, the driver on that from a GAAP perspective is fundamentally stock-based comp, which is a new thing for the company obviously since we've gone public. If you look at it on a non-GAAP basis, the software margin is actually up a point sequentially. So, sorry, I didn't brought that with you when you asked the question.

Gabriel J. Daoud
Analyst, Cowen and Company, LLC

Q

No, no worries. Understood. Thank you. So, that's that $2 million, that's all related to the networked – to the subscriptions online, the $2 million?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

The two – the delta is without stock-based comp, subscription gross margin went up.

Gabriel J. Daoud
Analyst, Cowen and Company, LLC

Q

Okay. Okay, got it. Got it. Thanks, guys.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Okay. Yeah.

Operator: Thank you, Mr. Daoud. Ladies and gentlemen, please limit yourself to two questions at a time. Please limit yourself to two questions at a time. The next question is from Colin Rusch with Oppenheimer. Please proceed.

Colin Rusch
Analyst, Oppenheimer & Co., Inc.

Q

Yeah. Thanks, guys. Sorry if I missed this, but can you break down the increase in the guide, how much of that's coming from acquisitions and how much of that is organic growth from the existing business?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah. Colin, this is Rex. So, our estimate for Q4 was that the acquisitions would contribute approximately $4 million, and so the balance in Q4 would be us. And then, for Q3, we do – we have ViriCiti for most of the quarter and hope to have has·to·be in quarter. So, consider baked in, but we're sort of assuming our view of the world that you should focus on the contribution in Q4.

Colin Rusch
Analyst, Oppenheimer & Co., Inc.

Q

Okay. That's super helpful. And then, just in terms of the pipeline activity, could you speak to the number of potential targets you're looking at and how that's grown year-over-year in terms of the land-and-expand model getting any of those new customers in? How should we be thinking about the growth in those first-time customers that you guys can leverage?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

So, you started with acquisitions and you want the customer count?

Colin Rusch
Analyst, Oppenheimer & Co., Inc.

Q

The acquisitions is done...

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah...

Colin Rusch
Analyst, Oppenheimer & Co., Inc.

Q

...so – yeah. The second question is really about the pipeline and how that's grown...

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

I got you.

Colin Rusch
Analyst, Oppenheimer & Co., Inc.

Q

...year-over-year for first-time buyers of products?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah. So, on the acquisition front, super happy to have announced the two that we did. I can tell you I think we followed beautifully what we as a management team insisted on, which is pick the two you like and make sure you get them. And the question is – or I think the question is are we looking at that going forward doing some additional, or no...?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

No, I think the question, Rex...

[indiscernible] (00:31:43)

Colin Rusch
Analyst, Oppenheimer & Co., Inc.

Q

No, no, no, it's not about acquisitions at all. It's about new customers.

[indiscernible] (00:31:45)

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Oh, okay. I'm sorry. I was [indiscernible] (00:31:50) the acquisition questions. So, pipeline from a – well, I'll take your other thing, which is the whole customer growth question. So, from a customer growth perspective, we had a stellar quarter in Q2. We're well past the number that we've had out in the market before. As you know, we were investing heavily in sales and marketing to make sure that we keep that trend going. I think we said probably six months ago that we're around 500 new customers per quarter. We're handily beating that now, and that's organic, right? So, obviously, the two acquisitions bring some additional customers, particularly in Europe and particularly in the eBus segment that we did not have. But our organic growth on the customer side is powerful.

Colin Rusch
Analyst, Oppenheimer & Co., Inc.

Q

Okay. Thanks, guys. I'll take the rest offline.

Operator: Thank you, Mr. Rusch. The next question is from Craig Irwin with ROTH Capital Partners. Please proceed.

Craig Irwin
Analyst, ROTH Capital Partners LLC

Q

Hi. Good evening, and thanks for taking my questions. So, today, I had the opportunity to look very closely at your new fleet products in person, and I have to say I'm really impressed, particularly from the small component count in the different pieces, the dozen components in your DC conversion tower, the eight components in your, I guess, two-port dispenser tower. This kind of suggests like that there may be an opportunity from a margin standpoint as these start to ramp in volume. Can you maybe talk us through whether or not these manufacturing efficiencies and the simplicity of these products will be accretive to margins over the next number of quarters and that there were some questions as far as the overall certification status of these new fleet products?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. That's a great set of questions, and thanks for checking out the products. I'm assuming that you were at the ACT tradeshow. Is that where you saw them?

Craig Irwin
Analyst, ROTH Capital Partners LLC

Q

Yes. Yes.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. Yeah. So, what's core to the strategy here is designing products that build from very few subcomponents. So, if you look across our product line, you'll see the same subcomponents used in multiple products. And the reason for that is twofold. One is exactly what you're alluding to. It's long-term manufacturing efficiency and volume scale to yield a favorable cost structure there. But there's a second factor, which is in most mission-critical – or all mission-critical businesses, fleet or passenger car sparing capacity for self-maintainers or our own Assure services or essentially our warranty services, maintaining a simple inventory management system to enable rapid repair and very high uptime is the second reason. So, it's a – this is one of the few times in products where you get both the cost structure advantage due to scale concentration in a few components and a reliability and uptime kicker as well.

Now, that's our intent is to continue to push the volume and we expect that as we scale, and I believe Rex has mentioned on several earnings calls that as these products mature, that's the underpinning of what we've talked about in terms of our margin recovery curve getting us back to previous historical levels on the margin.

Craig Irwin
Analyst, ROTH Capital Partners LLC

Q

Excellent. Excellent. My next question is about products for Europe. So, my understanding also from looking at the products closely is that there is an opportunity for a very small number of components to be changed versus the designs that are now starting to ship into North America. And can you maybe clarify for us whether or not this simplicity, this design approach that you've taken maybe accelerates the margin accretion as you look to serve Europe a lot more aggressively for growth over the next number of quarters?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

So, we've taken a design approach across the board that wherever possible, products are being designed to be world products either through simple final configuration steps in the factory or out-of-the-box world products. The reason for that is exactly what you're alluding to, which is to combine scale between the two continents to drive not only supply chain efficiency, but common practices for repair and reliability. So the fast charge products, for example, that you saw at ACT and even some of the AC products, I don't remember exactly which ones we had exhibited there, are – the fast charge products are world products. They are designed to work everywhere. And the AC products for fleet in particular and for Europe are designed at their core to operate globally.

Craig Irwin
Analyst, ROTH Capital Partners LLC

Q

Thank you. And then if I could squeeze another one in, workplace has been a very important market for ChargePoint over the last number of years. It's a particular point of strength for the company. And a lot of us are looking at our teams being back in the office and I know that many other companies have similar policies. Can you maybe comment about recent conversations with your important customers in workplace whether or not it's fair to expect some building of the momentum there, may be a return to the really impressive growth that you saw over the last couple years?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

So if you look at the remarks that we made earlier before the Q&A, we pointed out that our business volume is now above pre-COVID levels and our growth rate is above pre-COVID levels but COVID is not over yet. And so what that says is that our modeling assumptions in that cars drive everything and then in our revenue model cars do drive everything. It's completely an attach rate model as to how we model our revenue forecasting. And over the last three quarters I think we've done a pretty good job even in a COVID environment forecasting our revenue.

What we have seen is a mix shift due to COVID but the overall growth in the space has been more than compensated for by the increased arrival rate in cars relative to the pre-COVID levels that we have seen. So with all of that said, as workplace returns, it's all upside.

Craig Irwin
Analyst, ROTH Capital Partners LLC

Q

Understood. Well, congratulations on the strong quarter. I'll hump back in the queue.

Operator: Thank you, Mr. Irwin. The next question is from Shreyas Patil with Wolfe Research. Please proceed.

Shreyas Patil
Analyst, Wolfe Research LLC

Q

Hey. Thank you. So you mentioned earlier that you're having difficulty in meeting demand and that was an issue in the quarter. I just wanted to see how we should think about the ability to increase manufacturing if this were to continue for the next – let's say, the next few quarters. And is there any way to think about any upside potential to capacity for ChargePoint?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

So this is not a manufacturing capacity-driven problem on the supply chain side for us. Our contract manufacturers can deploy the labor and the capital equipment necessary to build physical product. The issue is the random onset of decommits in the supply chain for components and our teams with our contract manufacturers deep focused on making sure that we exercise every potential source of supply and our engineering team right behind them, qualifying second, third, fourth sources, in some cases, so we can desensitize the risk. You can't drive it to zero but desensitize the risk to sudden decommits where you think you have a source of supply, but suddenly they can't reach shipment into the factory because as you've seen the numbers are a bit higher than our original forecast, we have been able to scale on their component supply chain on the way in to generally meet that demand not completely but to generally meet that demand.

And the team is working like crazy to put a belt and suspenders in place to drive materials into the factories where the factory capacity again is not the problem. So, we can meet the new guidance that we've set for you for the back half of the year. So, we're working it. We haven't been bitten by it yet, but we're experienced enough in these matters to never take our eye off the ball and never advertise to you that we are immune to any problem.

Shreyas Patil
Analyst, Wolfe Research LLC

Q

Okay. And I wanted to switch to the fleet side of the business. You mentioned – I think you mentioned 180% growth in the quarter, which is obviously really impressive. I wondered as you're thinking about the opportunity obviously now with ViriCiti, I'm just trying to think through how the competitive landscape evolves here and how ChargePoint's positioned. And in particular, we've seen announcements from OEMs that are looking to offer fleet charging as part of their product offering, Ford and then recently GM are two examples. So, how do you think about the ability to still provide a value add solution as those OEMs are indicating interest in trying to sell towards their own customers?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Yeah. So, we've addressed this question I think on the – I thought we've got a very similar one on the last earnings call. There are almost no single OEM fleets out there. And so, we're focusing on a solution that isn't tied to any one particular OEM and that is also broadly open to all of the other business system partners that fleets tend to integrate with. So we can be as pretty integrated as possible. And our focus from a competitive perspective is to be – is to not have the customer be the integrator, is to enable a simple integration as possible by being pre-integrated. There's never a perfect science here, but that's what we consider to be our differentiator in a big way.

I think the OEMs need a default offering and we applaud that. I think they need to have that. But I think most of their customers don't buy from just them. So again, because most fleets are multi-OEM, we don't see that as a negative.

Shreyas Patil
Analyst, Wolfe Research LLC

Q

Okay. Thanks a lot.

Operator: Thank you, Mr. Patil. The next question is from David Kelley with Jefferies. Please proceed.

David L. Kelley
Analyst, Jefferies LLC

Q

Hi. Good afternoon, guys. Thanks for taking my questions. I guess two from my end and maybe starting with the fleet charging portfolio that you unveiled a couple of months ago. Clearly, software tend to – so maybe if you could walk us through how you're thinking about the longer term kind of subscription opportunity tied to the software for that product line? That'd be great.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

I mean, it would take more time than we have on this earnings call to give you a full rundown on this it's something we should – we'll certainly do as we have more technology-specific days for the analyst community. But in brief, the way that you should think about it is that there's software that's proportional to charging ports, which is pretty analogous to our traditional commercial charging – commercial business for passenger cars and when we sell to workplaces or retailers, parking operators, et cetera. So something proportional to keeping a port of charging on the ChargePoint network, again, not power orient, not making money on the sale of power, not utilization-dependent, et cetera.

Then there's the additional fleet services for charger scheduling based on needs for next day routes or next shift routes. That is billed on a per vehicle basis. And now, you can think of a new service above and beyond the charger management services that can be billed on a per vehicle basis for those kinds of services. And then there's site-wide energy management services come into play later. So you have generally things that are proportional to chargers, proportional to vehicles and proportional to sites. In the commercial charging domain, it's changing as well except the proportion of the vehicle component isn't really as strong as the telematics doesn't play in there.

I'll point out one more thing relative to our commercial and our residential businesses relevance to fleet. A lot of operators have a take home component to their fleets. Our residential offerings and our business offerings for lease cos in Europe that provide cars to employees as part of their compensation, that same technology package is being pointed to take-home fleets to enable electricity cost reimbursement when the employee takes the vehicle home and uses their own power essentially to charge a vehicle for work purposes. So we're seeing a lot of crossover and that's the power of being involved in all of these verticals is being in any one vertical leaves you uncovered for the use cases that crossing to that other vertical.

The last is that being able to offer the on-route, in-wild charging capabilities with fuel card integration, so the payment's consolidated, et cetera, is another avenue where our commercial offerings for drivers like you and I having driven a vehicle and park it, a parking operator or an employer that uses those things. Well, imagine now we can bring that world where fleet drivers can use those services but have integrated billing back to their employer through integration with fuel card providers, et cetera. And we're going to keep expanding that leverage into that commercial segment. So really all of these things play together and that's what's not really apparent yet to a lot of folks that are looking at this space. I'll pause there, so going to be a long answer if I keep going.

David L. Kelley
Analyst, Jefferies LLC

Q

Okay. No, great. That's super helpful. Really appreciate it. And maybe just kind of to switch gears a bit, a high-level question on ESG and sustainability and this might be a long answer as well. But clearly, we're seeing a broader push in North America. So maybe, could you give us a window into the conversations you're having with existing and new customers, how they see charging fitting into their strategy? And could ESG boost let's call it the longer-term re-buy algorithm for ChargePoint as think out several years into the future?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Well, certainly could. I think businesses of all kinds are bracing charging for not only ESG reasons but it's also good for their employees and good for their customers because driving electric is in the long-term much more cost effective than driving on fossil fuels. The car itself has a better cost profile over time and then fuel, well, you know the story there. And obviously all these companies are now being measured on ESG, so it has to factor in. Just the question is you don't really need any more charging than the cars in the parking lot are driving. So, we can't make an estimate right now of how that's − how much of that is pre-baked into our attach rate model or not and we'll understand that as the market continues to unfold. But I agree with you it's certainly a tailwind, the question is how much.

David L. Kelley
Analyst, Jefferies LLC

Q

Okay. Got It. Thank you. Really appreciate the time.

Operator: Thank you, Mr. Kelly. The next question is from Vikram Bagri with Needham. Please proceed.

Vikram Bagri
Analyst, Needham & Co. LLC

Q

Good evening, everyone. I just have two questions, one about near-term profitability and one about long-term outlook and profitability. You actually highlighted increase in outlook by BNEF recently and I believe your long-term outlook was based on their forecast. You've made acquisitions which are margin accretive. How does that change your outlook to achieve profitability which was fiscal 2025 at the – a few months back? Could you just talk about puts and takes there?

And in terms of near-term profitability, the initial guidance at the beginning of the year was about 31%. You've mentioned about 3% hit to gross margin this year – this quarter due to supply chain issues. There has been a shift in mix and the impact of the long shutdown due to COVID. Could you also explain the near-term sort of margin outlook using 31% as a base what the puts and takes are? And if you can – to the extent you can quantify them that would be helpful. Thank you.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

So, Vikram, based on your question you clearly understand it really well already. But – so what I would say in the – so for this year is absolutely true, we are running lighter on gross margin than we would have expected. But I think we posted a decent number in Q1, we held in Q2 despite the external factors and we're going bang through the second half of the year and deal with those factors as well. As I said earlier, we are definitely making a commitment to ourselves to drive the top line harder because land and expand is a ball game and so getting customers now is super, super important.

That obviously puts a little pressure, if your margins are not performing that puts pressure on you from a bottom line perspective. But again for the long term health of the business, the top line is everything. And keep in mind as we acquire customers, we're acquiring customers who become ongoing customers from a software perspective at appreciably higher margin versus the initial sale. So if you look at – so we don't give gross margin guidance specifically. But I think qualitatively you can tell that there's a gap between where we thought we're going to be at the beginning of the year and where we are now.

And as you referenced, mix is a big, big component of that. So, if the commercial business turns in additional quarters like it did this quarter, because it came on extremely strong. That's a place where we get a lot of margin power. So that can help us a lot. So, you would need to stay tuned on that.

I think you also asked a question about the acquisitions. I think the acquisitions are accretive on gross margin throughout. They will initially be more in terms of OpEx and the gross margin contributed, but I think that flips in the not too distant future. And then there are also very positive benefits between stuff we do that drives more sales of the software we just acquired and stuff they do – software that we just acquired that drives more business from the ChargePoint side. So as that synergy kicks in, I think, we should have a pretty good year with those two acquisitions next year.

And then lastly, from an acquisition – sorry, not an acquisition standpoint. From a profitability perspective, we've actually talked in terms of calendar 2024. We're turning our models every day. I don't think the acquisitions where our current blending of – strategy of going for revenue and addressing gross margin issues is going to meaningfully change that. If we decide that that needs to be pushed out, we'll let you know, but we're not there yet.

Vikram Bagri
Analyst, Needham & Co. LLC

Q

Thank you.

Operator: Thank you, Mr. Bagri. The next question is from Itay Michaeli with Citi. Please proceed.

Itay Michaeli
Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks. Hi, everybody. Apologies if I missed this earlier. I joined a bit late. But do you have the rebuy percentage in North America for the quarter? And then, secondly, just going back to the gross margin discussion, Rex, as we think about the land and expand model and – is the gross margin higher on that incremental ports that are installed in a particular customer, meaning is it worth it for you to invest in gross margin initially as you land them and then as you expand them, the incremental margin on that would be higher?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

So, on your first question about the rebuy rate, we're remarkably consistent. North of 60% of our businesses is rebuy, and that held this quarter. It bounced around 63%, 67%, but it's – it's all – it has a 6 in front and is very consistently there.

In terms of land and expand and does the margin profile change, if you look at it, it kind of depends on how fast people buy. You can look at it in its entirety because, over time, obviously software is a meaningful component of the relationship with the customer. That helps. But I've seen nothing that would suggest that we need to go in less expensive, take a margin hit to secure the customers, and then try to get it back over time. Obviously, if we have – we have a number of customers that have a couple thousand ports, pushing 3,000 ports. Obviously, they get benefits in terms of pricing. But in terms of the basic model, our ASPs are holding up very, very nicely, and we just haven't seen a need in competitive situations to take that hit upfront. We go in, and we've remained fairly consistent.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.
A

I just want to remind...

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

Yeah.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.
A

I just want to remind everyone on the call one thing as well related to that answer. Installation does not go through our books.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

That's true.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.
A

And so, any efficiencies that would happen as the – from the installation perspective, as the deployment gets bigger at a particular customer because there are economies of scale there, we don't see that because that's not part of our revenue profile.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

That's true.

Itay Michaeli
Analyst, Citigroup Global Markets, Inc.
Q

Got you. That's very helpful. If I could sneak one more in, maybe back to the ESG discussion earlier, do you have a rough sense of like what portion of your North America commercial customers kind of give away charging sessions for free, either all the time or at least partially?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.
A

I don't have that. That number moves around a bit. I don't have that off the top of my head. I can certainly find it. But I'll give you some color. Workplaces in general do not attempt to use their employees as a revenue source. They treat this as an employee benefit. This typically is – there have been a couple of questions on this call with respect to ESG alignment, and the cost structure associated with giving your employee power in a workplace setting is comparable to providing them coffee. And so, it's not very high on the list of costs with respect to employee benefits on a site, for example, a cafeteria would be far more expensive if it was subsidized than giving an employee EV charging.

Also, you're effectively lowering your employees' personal cost structure. And because you're enabling them to drive an electric vehicle, so the status, it's not ours. But the general industry status, you're six times more likely to buy an electric vehicle if your employer offers EV charging. So, there's a pretty good indicator there for you and your thinking around the subject.

With respect to retailers in general, they typically – if they set a price, it's a cost recovery. Typically, a retailer – if they set a price at all, a retailer is more using it as a tool to engage your driver in the business, in their business. In the future, you'll see more and more integrations with loyalty card programs there to potentially stratify the charging benefits a bit to provide an incentive for you to sign up for a loyalty card. That program in a retailer that's our expectation and other segments follow similar suit. So, there's a healthy amount of charging for charging going on. But I think, in general, there's also a very healthy amount of use of charging as an incentive or employee benefit.

Itay Michaeli
Analyst, Citigroup Global Markets, Inc.
Q

Perfect. That's very helpful. Thank you.

Operator: Thank you, Mr. Michaeli. The next question is from Matt Summerville with D.A. Davidson. Please proceed.

Matt J. Summerville
Analyst, D. A. Davidson & Co.
Q

Thanks. Just two quick ones. I was wondering, especially given all the new customer additions you've been talking about, what trends you've been seeing in uptake rates for ChargePoint as a service and how you'd expect that to scale from here going forward?

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

Sure. So we've been running over the last sort of four to five quarters at anywhere from 4% to 7% of our billings. It's focused entirely on our L2 workplace products. So, we're only just now rolling it out as to other products. So, when you think about our total billings, it's going to hover in the 4% to 6%, and we were consistent with that in Q2.

But looking forward, we're aggressively looking at applying that to our DC products. It's also something, we think, is going to be a meaningful component of our fleet business, because fleets like [indiscernible] (01:00:55) financing, too. So they're going to look at...

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.
A

Multi-family.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.
A

And multi-family will be another place. So, I think the places where we end up as a – providing things as a service is going to expand nicely over the next couple three years. But it's been very consistent in the range we described.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.
A

It's already almost there in multi-family.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Yeah.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

And we've got a – we have to true that up a bit, but it's already a subscription-based service for that segment.

Matt J. Summerville
Analyst, D. A. Davidson & Co.

Q

Got it. And then just as a follow-up, your cash burn rate in the quarter improved a bit sequentially. How should we be thinking about that looking out over the next couple of quarters? Maybe talk about some of the bigger pluses and minuses you would want to make us aware of.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Sure. So, we had a nice matching of the facts in Q2 where we generated about $44 million from warrant redemptions in the quarter which more or less matched the operational cash burn. I think we're going to be in a cash consuming posture for the foreseeable future, but then keep in mind the thing I said earlier about profitability, that still holds. So, if you look at our current run rates, assume that's going to be consistent hopefully in that range over the next couple of years. We should be fine from the cash perspective, at least, for a few years from now. Clearly though and given the comments a minute earlier about how – when we turn cash flow positive, given the fact that we've done acquisitions, or else you don't have sufficient cash to get the entire way, we'll have to keep an eye on that.

Matt J. Summerville
Analyst, D. A. Davidson & Co.

Q

Got it. Thank you, guys.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Okay.

Operator: Thank you, Mr. Summerville. The next question is from James West with Evercore. Please proceed.

James West
Analyst, Evercore Group LLC

Q

Hey, good afternoon, guys.

Rex S. Jackson
Chief Financial Officer, ChargePoint Holdings, Inc.

A

Good afternoon.

James West
Analyst, Evercore Group LLC

Q

I wanted to ask about something you mentioned about from net scale. And clearly, you're showing the benefits of scales right now. But as you outlined there's a lot of tailwinds in the business, whether that's the EV sales and, of course, many new models of EVs that are coming in the next 18 months, the policy tailwinds, the infrastructure tailwinds. How do you think longer term, not near term with the supply chain, well, the supply chain somewhat [indiscernible] (01:03:22) which we all kind of know about, but how do you think longer term about how you scale this business and what the risks are, what the opportunities are? And maybe given that your software is your base, of course, and we think of you more as a software company, maybe that's an easy answer because software is not hard to scale, but to maybe the two buckets of software versus a system?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

I think you're asking absolutely the right question of any company in this space which is most of the markets in front of us and we're going to see an acceleration in adoption. So, how do you deal with that? So, I'll give you a couple of things to kind of illustrate how we think about it internally. Number one is channel. You have to have a lot of muscle build in a company for a very long time selling through channels which we do, that's already built into our margin structure which is very important. You have to have a margin...

James West
Analyst, Evercore Group LLC

Q

Okay.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

...structure that survives more than one tier distribution. You also have to have the training and channel enablement capabilities, so your product can be represented for its differentiation. You have to have all of the support capabilities in place to be able to deal with the scale. And then you have to have the supply chain partners to be able to deal with the − what is the delivery vehicle for software − the hardware products at the other end of the wire. And the decisions we made there were to partner with large household names, contract manufacturers of which we have multiple that are partners of ours, not too many, because we obviously don't want to spread ourselves too thin with respect to management bandwidth, but enough there where there is plenty of capacity with reasonable − very reasonable lead times to lay in more manufacturing scale in front of the growth of the company. And lastly, what I'll point out is that the great throttler even though I believe that we will have good growth in the industry for many years to come, the arrival rate of cars into a geography, net new cars into a geography for both fleets and commercial, that's the real limiter. So, we are up against the production capacity effectively of the vehicle OEMs that are in the space.

James West
Analyst, Evercore Group LLC

Q

Got it. Okay. Okay, that's very helpful. And if I could maybe ask one more on M&A, you were starting to address it earlier, but then switched to a customer acquisition question. But I'm thinking about company acquisitions. You've made obviously one recently. You've got one pending. Are there technology gaps? Are there holes? Are there areas that you're still looking at? Are you done for now or putting this on hold as you integrate? So, how are you guys thinking about M&A?

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

So, we have a pretty tight lens on that. We assess opportunities on the basis of technology gaps, customer base, which is probably the most important factor is does it avail ourselves to a broader customer base inorganically. And then is the team and culture of the company a good fit for us, because you're only as – in an acquisition, you're only as good as how well you can integrate it and that's a critical thing to have good alignment and vision for the market via the acquisition, the company being acquired.

More specifically in terms of what the kinds of things we are paying attention to is how much – even though our offerings are very complete, what are the other adjacencies we can add that either developed or inorganically add that add to the offering that we have that enables us to sell more high margin software to our existing customer base or to new customers. So that's how we think about it. It's a very tight evaluator. We're not going to be – we're going to be very measured about how we evaluate things. But that's the sort of color on how we think about.

James West
Analyst, Evercore Group LLC

Q

Understood. Very helpful. Thanks, guys.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

A

Thank you.

Operator: Thank you, Mr. West. I will now pass the conference back to the management team for additional remarks.

Pasquale Romano
President, Chief Executive Officer & Director, ChargePoint Holdings, Inc.

So, well, great questions and thank you very much for your time, really very thoughtful questions. I want to leave you with – it's just something that I tell the employees of recent in town halls. It's been an amazing six months for the company. In six months, we've become public. This is our third earnings call, because the first one was right pretty much after we had closed the transaction to take us public.

We've announced two acquisitions, closed one of them. We marketed an equity offering for selling shareholders. We've had to deal with the COVID impacts in our supply chain. Increased forecasts over our – or increased performance in the market over our forecast. So, it's almost – for us, it's been a very exciting start, we're really proud of the accomplishments. I couldn't be more proud of the team here in ChargePoint. I think they deserve all the credit for working tirelessly to get us to this point. And we're very optimistic about our positioning for the future. We're going to be very mindful and not get in front of that and really work hard to just continue to expand this business. But we're super excited about what the future holds and look very much forward to doing one of these things again in three months. So, thank you.

Operator: That completes the ChargePoint's second quarter fiscal 2022 earnings conference call and webcast. Enjoy the rest of your day.