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Fisker, Inc. (FSR)

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CORPORATE PARTICIPANTS

Dan Galves

Vice President-Investor Relations, Fisker, Inc.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Burkhard J. Huhnke

Chief Technology Officer, Fisker, Inc.

Geeta Gupta-Fisker

Chief Financial Officer & Director, Fisker, Inc.

OTHER PARTICIPANTS

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

Itay Michaeli

Analyst, Citigroup Global Markets, Inc.

John Murphy

Analyst, BofA Securities, Inc.

Jon D. Lopez

Analyst, The Vertical Trading Group LLC

Jeffrey Osborne

Analyst, Cowen and Company

MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the Fisker Incorporated First Quarter 2021 Earnings Call. At this time, all participants are in a listen only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to Mr. Dan Galves, Vice President, Investor Relations. Sir, please go ahead.

Dan Galves

Vice President-Investor Relations, Fisker, Inc.

Thanks, Lee. Welcome everyone to Fisker's first quarter earnings call. Joining me on the call are Henrik Fisker, Chief Executive Officer; Dr. Burkhard Huhnke, Chief Technology Officer; and Dr. Geeta Gupta-Fisker, Chief Financial Officer and Chief Operating Officer.

Before turning it over to Henrik, be advised we will be making forward-looking statements within the meaning of the federal securities laws. Forward-looking statements generally relate to future events or future financial or operating performance. Our expectations and beliefs regarding these matters may not materialize. Actual results and financial theories are subject to risks, uncertainties that could cause actual results to differ materially from those projected. These risks include those set forth in the press release we issued earlier today, as well as those more fully described in our filings with the Securities and Exchange Commission.

The forward-looking statements in this presentation are based on information available to us as of today. We disclaim any obligation to update any forward-looking statements, except as required by law. We'll reference our

financial measures that do not conform to generally accepted accounting principles or GAAP during today's call, including non-GAAP operating expenses. This information may be calculated differently than the non-GAAP data presented by other companies. Quantitative reconciliation of our non-GAAP financial information to the directly comparable GAAP financial information appears in today's earnings release.

With that, I'm happy to turn the call over to Henrik.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Thanks, Dan. Thanks everyone for joining. I'm extremely pleased with the progress we've made in the Ocean so far. As I've said many times we have not used COVID as an excuse to delay anything. We're on track for production and deliveries to start in the next year. We complete a major engineering milestone in March this year which enabled us to kick-off tooling and start both tests and validation for some key components.

The next big milestone is in office and where we will have the chassis move builds complete and that will allow us to do some more testing and fine tuning. We also will do more builds, some prototypes, and yields over the course of the year where we'll start adding more and more production level components. And, of course, virtual prototypes for safety validations are also in process and that means that we will have one of the safest vehicles on the road. In fact, we are already working on fulfilling 2023 safety ratings for five stars, that means if you would buy a vehicle today, any vehicle, our vehicle would be safer than the vehicle you would buy today because we really reach for the long-term high standards.

And also engineering powertrain modeling supports our expected range and acceleration. We'll have up to 350-mile range and our top vehicles would do [ph] 0-60 mph (00:03:23) in less than four seconds. So we're definitely not only going to be on target competitors, but that's really a supercar territory for a family SUV, which is pretty amazing for the price we are offering at.

In terms of certification and homologation, we've got a clear and crisp plan in place. I know it's not very exciting, but it's critical for a concurrent launch in both US and Europe and that's actually something that ensures to be a ready-to-deliver vehicles both in US and Europe next year. That's pretty unusual. Most car [ph] kind of (00:03:59) start in one market, but we are just actually going to do simultaneously in Europe and US.

Our supply chain has a major success story. Suppliers are being very selective digging into the products' business case. It's not only about the OEM's name; it's also about the viability of their product. And our strategy is appealing because first of all you're showing demand confidence. We have growing demand every single day. We did reservations. We're now well over 16,000 reservations and just see that continuing. In fact, our plan is to accelerate that towards the end of the year. And, of course, the fact that we have designed and will deliver mid-sized SUV, the fastest growing market segment in the world, I would say we probably have the most compelling design. Our specifications are quite frankly amazing with a type of affordable price we are offering starting at \$37,500. And I would actually say I don't think there's any SUV – electric SUV that has been announced so far coming out even end of next year that starts at \$37,500 with the type of design and specifications that we will offer.

So, when some people are saying that we have plenty of competitors coming next year, it's simply not true. There is a lot of SUVs coming out, but they are way more expensive, they are lesser capabilities than our vehicle and I don't think they really have the design that we have neither. So, I think we have a truly unique product. And of course, supply confidence when it comes to confidence that Magna will hit volume targets and ramp timing.

Why is that important? Because suppliers do not want to sit with a whole bunch of cars that a company have ordered if the company is not capable of scaling up fast enough. And I know it sounds very enticing and exciting for an EV start-up to grow and build their own plant and learn how to manufacture a car.

But what that means that you're two, three or four years into actually scaling up. That means your suppliers, you're leaving them hanging. And this is not something that we're going to do, it's something where our suppliers have confidence because they know Magna is a professional automaker and they know how to scale up. And I think that's a very important part of why we get the best suppliers on our side.

And then, of course, the long-term growth confidence. Let's not forget when you combined FM29 platform and FP20 platform volumes, we probably have one of the highest volumes combinations in the industry. We are taking about several hundred thousands of volumes that already now we are seeing suppliers giving us great deals on various parts of [indiscernible] (00:06:45) also sharing between the two vehicles and future vehicles.

Bottom line, we have turned estimates and targets into reality. We have a clear plan in place for all the 1,600 components that goes into our vehicle. Nearly all of the vehicles cost amount based on hard vendor coach or contracts and support our previously communicated cost, pricing, and profitability goals. So, we will be profitable with this vehicle even for the price that we are launching in it. And again that has to do with the amazing volume pricing we are getting, direct to consumer, and just our lean business model.

Nearly all of the – sorry, one thing I just want to mention as well is the clear execution plan from now until SOP that are fully supported and committed by Magna and all our vendors is another important part while we know we're going to start to deliver our vehicles next year. When it comes to talent, we're now fully in execution phase and have the talent in place to execute. We have over 200 people in the company and they are all of the highest caliber. We do take a little longer to hire people because we want the absolute best. And today, there are several hundred Magna engineers working on our behalf as well.

Hiring definitely accelerated since January. We added about 10 people per month in Q4 last year and 25 per month so far in 2021. Engineering is in a great place. Now, we build our sales and marketing talent and we have already started to hire quite a lot of marketing people both here in the US as well as in EU -in Europe. And as you know, California is the best place to attract talent.

Now, I feel really good about over 16,000 reservations. One thing just to kind of give a little comparison when the Tesla Model S was 18 months – about 18 months before SOP, Tesla had about 3,400 orders. We're about 18 months before SOP and we have 16,000 orders. I think that's pretty amazing specifically some people say there's a crowded market out there. And on top of that particularly if we have barely marketed the vehicle. We really start to ramp-up the marketing in November when we show the car at the LA Auto Show where we actually have quite a few surprises which I think will add a lot of extra reservation and interest in the vehicle.

We expect our emotional design, technology-packed, affordable electric SUV can pull from a very broad addressable market. So, we went also out and did actually our own data. We went out and did sort of basically a survey on our reservation holders. And what we can say is that about 70% of our reservation holders actually driving a gasoline vehicle to date, over 15% (sic) [50%] (00:09:38) are the non-premium brand, and 50% drive vehicle types other than SUVs. And it comes back to my point that we're not just trying to get – or hoping to get people out of an SUV and into a Fisker Ocean, we're already getting people out of the other type of vehicles, hatchback, sedans, and into the Fisker Ocean. And I think that's a huge differentiator on our vehicle.

When it comes to our portfolio expansion, we are fully on plan for delivering four different vehicles by 2025. As you might have read, we have kicked off the PEAR program and complete a binding agreement with Foxconn. This vehicle will be quite unique. It's in great shape for launch in Q4 2023, as we have about 30 months out and we have already completed exterior design and source several key components. This vehicle by the way is not just another electric car. This is about creating a revolution. It's about turning everything upside down.

We have so many inventions in this vehicle right from how you load the vehicle, it doesn't have a normal trunk opening. It has a unique way of usability and functionality in interior you have never seen before. The vehicle itself I think is iconic. I personally think is my best design work ever. And I'm just – I'm super excited about this vehicle. I think we will easily be able to sell more than 250,000 vehicles about a year and just wait to see, it's just amazing. In terms of the last two vehicles for this total plan of forthcoming together before 2025, we actually already have designed the third vehicle and the fourth vehicle. We are already in negotiations for something pretty unique about that vehicle as well. So, the four vehicles actually are on plan.

All right. Finally, competition. There's been a lot of talk about competition and there will be quite a bit, no doubt. But it's important to put it in context. News outlets on Friday noted there will be 12 electric SUVs on the market in the US when we launched the Ocean. And as I said earlier yes, there will, but a lot of them will be a lot more expensive. They don't look as good. They don't have the type of technology that we have. Let's not forget, again, we are inserting our advanced technology into our vehicles this year because of our very unique development process. That means, if you go and buy a Fisker SUV Ocean next year, you will get newer technology than any other car because any other car you buy next year that technology has already been chosen several years before. So we are very confident that we will have some of the best technology on our vehicle and actually we're going to showcase some of it in November at the LA Auto Show.

Finally, ESG is something that is one of our brand pillars and we have accomplished our responsible supplier policy. We have [ph] beyond coursing (00:12:41) Q1, but we serve it out workforce to assess where our business can be and we also have a clear framework and [ph] yet kind of (00:12:49) come up with some data that I think is going to be quite amazing when we want to be able to quantify what we mean by ESG.

Finally, we're in deep into a company-wide study on evaluating the feasibility of a scientifically-based truly climate-neutral vehicle over the mid-term and that's something we're going to talk about a little later. But quite frankly, I will challenge anyone to show me a \$37,500 SUV that even comes close to the Ocean. And nobody's been able to do that yet. When somebody mentioned it's not an SUV, it's always in another market segment, it quite frankly has never peer-to-peer comparison anyway.

So, thanks. And I'll now turn it over to Burkhard, our Chief Technology Officer, to brag some more detail on our software efforts and a few other cool technical details. Burkhard?

Burkhard J. Huhnke

Chief Technology Officer, Fisker, Inc.

Yeah. Thanks, Henrik. Yes. Software developing is a key priority for Fisker. Controlling a major customer-facing aspects of the legal software stack is important for several reasons. Let me explain. Number one, it allows us to design and execute a seamless easy-to-navigate user experience that is fully integrated with our mobile app. And then number two, we can add features, improve performance, and fix customer mindsets and other issues rapidly for [indiscernible] (00:14:12). I've been in the industry for a long time, and no car is perfect from day one of production. We must be able to deploy improvements to vehicles already on the road. Number three, when you identify something that should be changed, we don't want to rely on suppliers to rewrite software, which can take months. We need to own the relevant software stack the customer can see and experience every day, like the

user interface and the overall customer experience. And number four, we want to pursue opportunities to monetize product upgrades and other digital data services. So, that's the goal. And in order to accomplish that goal, we need to, number one, own the pipe that delivers the data back and forth from the [indiscernible] (00:14:58). We are building our Fisker software excellent centers with programmers and data scientists in San Francisco, Silicon Valley in India. This includes the pipeline from the car to the cloud and vice versa over-the-air updates and edge computing capabilities.

So, you need to own the cloud where the data is stored. We're building our own Fisker Cloud, and have data scientists analyzing datasets to continue to optimize net features and functions. So, as explained, you need to own software in the key domains that impact the customer. In fact, we have to isolate what is important. And we have [ph] own (00:15:35) designer to write software to control window motors. This is a commodity that supply chain is under control. On the other hand, components of the infotainment system that speak directly to the customer, you need to own that. Performance updates of the powertrain is owned by us, edge computing, that controls data flowing in and out of the cloud data [indiscernible] (00:15:57).

So, finally, you need a modern consolidated electrical architecture to efficiently move data around the [indiscernible] (00:16:04), and we have been to sell [indiscernible] (00:16:07) multi-domain controllers using modern ASICs and system-on-chips that suppliers are eager to work with us on because it is just the future.

So, we had some advantages, small window company with very large development partners with influence that helps. We have no culture clash between hardware and software engineers. We can pick and choose our staff. For example, our user experience design and software teams are mainly from [indiscernible] (00:16:35) industry. So, we make technology decisions fairly [indiscernible] (00:16:40) in the development process to get the most modern cloud [indiscernible] (00:16:45) 5G communications domain controller technology and displays into the product there.

We still have a lot of work to do, but we're confident we have a clear plan, that our software teams in San Francisco and India are up to the task, and we are already experiencing success. We recently successfully proved our proposals to download software from a cloud [indiscernible] (00:17:08) domain controllers and on to the mobile app simultaneously.

Thanks. And now, I'll turn it over to Geeta.

Geeta Gupta-Fisker

Chief Financial Officer & Director, Fisker, Inc.

Thanks, Burkhard, and welcome, everyone. I'm really excited to be here today on our second earnings call, and report back that our Q1 results were in line with the comments we made on our Q4 call back in February. We display our financial discipline as our various departments executed well as for our spending plans. They're on track to the full year guidance we've previously communicated, which did not include any spending on PEAR program. Now, with a binding agreement in place with Foxconn, we're adding \$30 million to the midpoint, about 7% increase to overall spending. Our balance sheet remains extremely strong with \$985 million cash and no debt. Basically flat versus December 31, 2020. And \$89 million of inflows came in from warrant exercises. This incremental cash offsets our Q1 spending. Our current cash reserves are sufficient to fully fund the Ocean program to start up production.

And to be very clear, we have no need to raise additional capital in 2021. The predictability of our future business has taken a major leap forward as we progressively turn what once estimates for the Ocean Bill of Materials engineering test and validation spend into actual contracted costs. This includes sourcing activities, as well as a

well-defined timeline and a highly diligent cost schedule for vehicle integration and vehicle assembly. What we have done is institute a very robust sourcing process at Fisker that I lead in collaboration with our engineering and purchasing teams, both at Fisker and Magna and now at Foxconn, a new partner.

Prior to sending RFQ, we had a clear concept and specification for each part, and our cost analytics team has worked with engineering to target what's the particular component should cost. This benchmarking activity starts long before sourcing, and continues throughout the entire project lifecycle. Using these financial models, we are well-prepared to have in-depth discussions with our suppliers about the input and production costs for each component in our work to convert these supplier quotes into serial contracts. As one team, engineering, purchasing, [ph] purchasing (00:19:39) quality and finance engages with our supply base to ensure timing, costs, ESG, and quality targets are met simultaneously.

As of our last engineering milestone in March that Henrik talked about, we have suppliers identified 100% of parts, including all the Ocean derivatives. We have established a plan for each part to support testing and validation activities which are boring, but very necessary.

We are now well underway in the process of awarding serial production contracts with over 60% of the part count representing more than 1,000 parts, and well more than that by dollar value, either [ph] for resource (00:20:10) or in the negotiation phase. We will share more information on key suppliers during the course of the year. Overall, on the bond side, we now have high visibility in achieving the previously communicated bond estimate with opportunities identified by our teams who drive that even lower. We are particularly excited about our cost position on batteries.

Once an agreement is reached on localized part production, we will share more details around our favorable position on batteries and our supply partner. Assembly and logistics have also gained visibility, and their levels that are consistent with estimates, we discussed back in July 2020 when we announced our business combination. Overall, we are in a great place as a high majority of Ocean costs are now based on competitive [indiscernible] (00:21:11) purchase orders, or contracts.

Switching gears. I want to highlight the cashless warrant exercise we executed in March and April. The choice to only allow cashless exercises mitigated dilution to our shareholders by 2.5 points, and also signals confidence in our balance sheet, future spending plans, and access to capital.

Finally, we are very excited to have reached a binding agreement at Foxconn to develop a second platform, FP28, with the initial vehicle launching in fourth quarter 2023. Both companies have tremendous resources to contribute to the program in terms of human capital, intellectual property, and existing supply chains.

Beyond the PEAR product itself, this relationship has a very positive impact on Ocean and the FM29 platform in several ways. Let me highlight these to you. Number one, we at Fisker have already built an organization that is focused on vehicle affordability and corresponding supply chain that supports affordable cars, but this means there are many relevant synergies between Ocean and PEAR platform.

Number two, the Ocean and PEAR program have a great opportunity to share several components and subsystems such as domain controllers, control units, batteries, displays that we talked about today, connectivity, and various other hardware. And this is only possible because the Ocean was already designed with affordability in mind versus several other startups that are looking at very expensive products and have an organization that does not think about vehicle affordability. Companies that design \$100,000 cars have very limited opportunities to

share [ph] own (00:23:00) parts of Bill of Materials with an affordable C-segment vehicle, the culture that we are instilling at Fisker.

Number three, a deep supply chain and relationships on the Foxconn side are already bearing fruit for our Ocean program. Our nomination of shop that we announced this morning for an extremely unique display was a major win that would have not happened without the Foxconn relationship. And it's a great example of component sharing between two different platforms and peoples. We have also gotten assistance from Foxconn on chipset sourcing, which is obviously a very critical component in our current environment.

Number four, we now have an opportunity to drive additional cost reductions for the Ocean program throughout volume sourcing due to the added volume of PEAR. The close timing with these two launches at the end of 2022 and the other one at the end of 2023, and [indiscernible] (00:23:51) the long-term volume opportunities [indiscernible] (00:23:56) have been avoided on those two separate programs. This is going to be one of the most innovative automotive programs, and we are inviting suppliers to participate now, today.

Before quickly running through results and guidance, I just wanted to remind everybody of the KPIs that everybody at Fisker is focused on and are measured by. Our overall priority KPI is number one, a stellar product. Number two, a building material that underpins market-leading gross margins. Number three, started production on time. And number four, overall program costs and in that order of priority. These are what my performance metrics are based on as well, as well as every single team member at Fisker. And we remind all our suppliers and partners of these key KPIs that drive Fisker.

Now, turning to our results and outlook. Our Q1 results were in line with internal expectations and the commentary we provided on the last earning call. Operationally, the increase in R&D versus Q4 2020 was primarily the result of increased head count and initially took off with many suppliers that drove initial engineering design and development spending. The reduction in SG&A expense versus Q4 2020 was the result of non-recurrence of one-time costs incurred in the prior quarter due to closing of our business combination. We also reported a non-cash expense associated with the public and private borrowers. I just want to remind everybody that our net loss totaled \$176.8 million and \$0.63 loss per share. However, excluding \$145.2 million non-cash, non-operational loss reflecting changes in fair value of convertible equity securities and embedded derivatives, our net loss actually totaled \$31.6 million and \$0.11 loss per share.

As of April 19, these public and private warrants were fully retired and de-listed. So, we should not see any of this activity in that line item going forward. Our capital expenditures rose meaningfully in Q1 2021 to \$66 million versus \$0.5 million in Q4 2020, again in line with expectations as you began meaningful capitalized spending on the Ocean platform.

Finally, we also reported some revenue from exciting merchandise sales, but I wanted to remind all the analysts, [indiscernible] (00:26:23) material, and we do not recommend any analyst spend time forecasting it. As you see, this is a critical marketing tool and a critical tool for our [indiscernible] (00:26:31), but we do not see this as an important aspect of any revenue. It is an important aspect of brand building and engagement with our customer base.

Turning to our outlook. As noted in the press release, we are adjusting the midpoint of our guidance for overall cash spending by \$30 million to the high end of the prior guidance. The guidance now includes estimated spending on Project PEAR, which the prior guidance explicitly did not include. We expect the balance of this year's aggregate spending to be roughly \$30 million across the remaining three quarters of 2021. SG&A should

modestly increase sequentially due to higher head count. R&D spend will be a bit heavy in Q2 and Q3 than Q4 due to timing of incremental supply ED&T and a prototype testing and validation program.

We would expect CapEx to be somewhat lower in Q2 than in Q1. Now, specifically on the PEAR program, we're using existing resources to define and develop the program. To be very specific, this is the current [indiscernible] (00:27:35) capital that Henrik highlighted in his remarks, and intellectual property that Burkhard highlighted we've developed alone or in collaboration with suppliers. The timeline compare is similar to where the Ocean was last year in the second half of 2020. Thus, we are leveraging existing assets and resources that we've developed over the last year. So, spending in 2021 is modest. Overall, I'm extremely proud of the entire Fisker team for all the accomplishments we have in 2021 and the plan we've established to execute a fantastic profitable product on time and on budget.

We're now happy to take your questions.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Lee, could you queue up the analysts, please?

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] Your first question comes from the line of Adam Jonas from Morgan Stanley. Your line is now open.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

Thanks, and good afternoon, everybody. So, Geeta, a comment, I might have misheard you when you said that you are moving into contracts for 60% of the parts on the Ocean. And I think you said that represents over 1,000 parts. How many parts are in this car?

Geeta Gupta-Fisker

Chief Financial Officer & Director, Fisker, Inc.

Over 1,600 parts, Adam. That includes obviously all the systems and they may have additional subsystems. But it's about 1,600 including subsystems.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

I'm curious how that compares to other vehicles. You think that it would be going up against in terms of complexity. Seems like a very low number, although I know there's some definitional noise [indiscernible] (00:29:25)...

Burkhard J. Huhnke

Chief Technology Officer, Fisker, Inc.

It's a increasing comparable. It's on a similar level. So, we've reduced a couple of components and electronics side that in general you could actually say that it's similar really compared to other.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

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Okay. Great. And I appreciate the deal on the sharing between FM29 and FP28. You've called out some parts. I didn't know if it was – if by order of magnitude, the value of those parts, what we're thinking about. Could it be something substantial like 20% or 30% or closer to 50%? I think he's mentioned sharing a battery, but just wanted to kind of get a sense in dollar terms. Among a range, how much do you think you could share between those two platforms?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

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Because obviously the batteries are a major part of the vehicle, so is the innovative screen that we're developing together with Sharp, and then there's a few other things as well. So, I would definitely say, it will be over 30% in terms of volume.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

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Okay. And just a final one for me. There's so many great things to ask, but last one for me. When we finalize the JV ownership structure or details about the JV itself beyond the binding agreement with Foxconn and [indiscernible] (00:30:50), I'm wondering if you could give us a sense of timing of the details behind that binding agreement? Thanks.

Geeta Gupta-Fisker

Chief Financial Officer & Director, Fisker, Inc.

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Hi, Adam. As you can imagine, a program that is so complex as the PEAR program, we are taking into consideration intellectual property. We are taking into consideration tax. Also, this program needs to be a global program. So, we're looking at all possibilities. At this point in time, we haven't said. But this is a joint venture. Both companies will continue its operations as they are, and will look at a more commercial way or commercial contractual way of investing and sharing profits. So, at this point in time, we are leading to all the complications of tax and IP. But we do have a path forward, and we hope to share that in the coming months.

Adam Michael Jonas

Analyst, Morgan Stanley & Co. LLC

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Okay. Okay, Geeta. Then [indiscernible] (00:31:41) answering, I'm going to slip one more in here for you. I believe you – when you presented the Ocean timing at the time of the – earlier this year, our understanding was that the company was fully funded through the end of 2022, again excluding care. You mentioned no need for additional capital this year, but I imagine there could be quite a big inflection in spending next year. Could you say the company is fully funded through launch of PEAR or is that a totally different situation now, and we need to see how those capital commitments play out in the next year? Thanks.

Geeta Gupta-Fisker

Chief Financial Officer & Director, Fisker, Inc.

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Good question, Adam. I did expect that one from you. So, two things. First of all, Adam, we do not need to raise any additional capital in 2021 to either fund Ocean or PEAR. As you know, we took in an additional \$89 million that brought our cash reserves to a very healthy balance sheet of \$985 million. We forecast that all we gave the guidance today an additional \$30 million, which goes for operating expenses to the PEAR program. So, given the fact that we are leveraging our existing asset base, we are on track for PEAR. We are on track for Ocean. Now,

let's talk a little bit about your question, do we need to see additional cash in 2022. Our balance sheet remains super strong with \$985 million. We also show a tremendous discipline in giving the guidance and sticking to it in Q1, and you will see it in the coming quarters. I just want to remind everybody how we can optimize the balance sheet if we need to. So, at this point in time, we are investing hundreds of millions of dollars in production tooling and equipment, some of that you see in our Q1 numbers. And a lot of those can be financed at a low cost in a variety of ways in a ESG-forward manner.

Number two, we again have a significant amount of IP that's in both the FM29 and FP28 programs, and we still have not evaluated whether we license them out or not. Number three, we control all our emission credits, and there are opportunities to monetize these ahead of time if we wanted to. And again I want to remind everybody my comments last time that capital markets continue to believe that electrification is the future of automotive. So, once we have some additional milestones, if we feel we need to add more cash to the balance sheet, we will. But at this point in time, we do not see any need to raise additional cash this year.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Thanks, Adam. Next question, Lee, please.

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Operator: Thank you. Your next question comes from the line of Itay Michaeli from Citi. Your line is now open.

Itay Michaeli

Analyst, Citigroup Global Markets, Inc.

Great. Hi, everybody. [indiscernible] (00:34:37). First, I think the release mentioned some additional deals for fleet in Europe in Q2. Maybe talk a bit about those deals and are they – some of those in the renovation numbers?

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Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Yeah. So, we actually hired a specific person over in Europe to pursue the fleet deals, and we are pursuing the top 100 companies in Europe with the highest ESG goals that actually wants to go fully electric. And I think we will be announcing some interesting deals here in the near future. It's a little too early to talk about it right now, but I see incredible positive trends because when you look at the European market and our segment of vehicle, about half of all vehicles sold in Europe are actually fleet deals. In our view, it was perfect position for that. So, I'm pretty excited about the forecast of that. And I think you're going to see some significant upside already this year.

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Itay Michaeli

Analyst, Citigroup Global Markets, Inc.

That's helpful. Just as a follow-up, two product questions. First, on the Ocean, any update on when we'll see or you will launch the kind of full configurator for all the trim combinations? And then, secondly, on the FP28, anything you could share in terms of targeted range performance for the starting price?

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Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Yeah. So, on the Ocean, we are sort of waiting until November because we've got some pretty significant news on technology that we're going to show on the Ocean in – at November at the LA Auto Show. So, we have decided to actually make that coincide with our app and website update. Will you then be able to fully configure the vehicle colors, option packages? Will announce details of specification, details of the pricing, and everything is

A

pretty much in line with our forecast. So, you'll, unfortunately, have to wait until November, but it really is born out of the fact that we added some new technology features in the vehicle that we think is going to really put us way ahead of the competition. So, we don't want to show that too early.

When it comes to the PEAR program, as I mentioned, this is kind of a really revolutionary program. The reason we are working with Foxconn on business, because we truly want to create a revolutionary vehicle, and that's something that doesn't happen often in the car industry. And the point with this vehicle is trying to see if we can reimagine what a vehicle should be for the future consumer. And I see personally a lot of trends that will change significantly over the next three to five years that I think this vehicle can cater to.

First of all, I think people are going to move away from the traditional segmentation of vehicles, and we see it already with the Ocean where more than 50% of the people who's ordered the Ocean are coming from other vehicle categories, which is kind of unique. I've been in the industry for 30 years. And when you develop a vehicle, you always look at your main competitors and you get 95% of your customers from those. That's not the case with Ocean. So, because of that, we are specifically targeting the PEAR as almost like a non-segment vehicle that could take customers away from any vehicle of any type. And because of that, you need to have a vehicle that also then basically introduces some completely new innovative features that nobody else have, but everybody will desire.

And I'm sorry to kind of use this very typical example, but that's exactly what happened with the iPhone when it came out. It was the first phone that was a small computer with no buttons, and it attracted people from Motorola, Nokia, and every other phone maker, BlackBerry, the last that held out even with that went to Apple and, of course, now you have Samsung, et cetera. But the point of this vehicle is exactly to do that. And I can't imagine anybody better than Foxconn to do that. In terms of specification, absolutely no. I don't want to give away to the competition what we're thinking because this is so radical. It's a complete departure away from today's thinking of making a car. I personally have to get completely out of my little car box and think about how would a tech company design a vehicle rather than how would a car design or a car company design a vehicle.

Thanks, Itay.

Itay Michaeli

Analyst, Citigroup Global Markets, Inc.

Yeah.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Next question, Lee.

Operator: Thank you. Your next question comes from the line of John Murphy from Bank of America. Your line is now open.

John Murphy

Analyst, BofA Securities, Inc.

Good afternoon, everybody. Maybe just a quick follow-up to that. Henrik, as you're developing a revolutionary new product in the industry, \$30 million in spending this year seems like not a lot of money. Could this cost a lot more money in the future for both yourselves and Foxconn? And I mean, how should we think about program costs for this? I mean, for something that's very revolutionary, that sounds very inexpensive.

Henrik Fisker*Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.*

A

Yeah. So, I think there's a couple of things that's very unique with this program. First of all, Foxconn and Fisker is jointly investing into this program. Both of us have quite a lot that we bring to the table. We now have a pretty well-staffed engineering and design group, so we don't have to go out and hire those people for that. They're sort of coming into this program as the Ocean is moving to the next phase of commercialization. And then you have Foxconn, of course, that has an immense supply chain. And here's what I think a lot of people – nobody's talking about. The fact is that as we move from gasoline vehicles, which have been perfected over 100 years, we moved from gasoline vehicles into electric vehicles. That's only part of the story. You're actually moving into vehicles, but theoretically are computers on wheels.

Now, who would be the best supplier in the world to supply the most cost effective, highest quality components for your computer or your smartphone? Probably Foxconn. They have one of the biggest supply chains of electronics in the world. I have been amazed when I have seen the pricing for some of these components. I mean, I couldn't even imagine because the pricing is so different what I'm used to in the car world. And that's why we're going to be able to make a vehicle for less than \$30,000, so I can concentrate not on having to invest in certain electrical components, but rather coming up with truly innovative things. And innovation [indiscernible] (00:41:30) need to cost more money. It's about being brilliant, coming up with smart ideas, thinking out of the box and taking risks, and this is the risk of the product. The rewards could be huge, which I think there will be. The people who have kind of seen this program, and it's very few, we keep [indiscernible] (00:41:45) are, quite frankly, amazed by it. But it is shown that we don't want to go out and talk about it right now. It's just too early. I mean, we're 30 months away and giving too much away to the competition. But in terms of investment, the big investment will really start happening in 2023. And at that point, Fisker is making a healthy revenue.

John Murphy*Analyst, BofA Securities, Inc.*

Q

Second question real quick. Headcount is the same kind of thing you're being incredibly efficient, and I gather that you're getting a lot done with 203 people. I'm sure everybody's sweating hard here at the company, and are working really hard to get all this done. It's a lot for [ph] 203 (00:42:22) people. At some point, do you think you need to expand and accelerate that head count dramatically as you get closer to SOP or are you going to be able to operate with this very efficient army of very hardworking people, get a whole lot of – whole lot done and leverage partnerships to get it done?

Henrik Fisker*Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.*

A

So, if you truly dig into the traditional car industry, you will realize that despite [ph] we'd already (00:42:50) talked about it, a lot of the components in cars today are made by suppliers. I think we have just kind of gone a little, on a more extreme level on that, where we have set a lot of things that are not really creating IP or are mundane tasks. We are getting suppliers. We have a great relationship with Magna, and they have an amazing engineering force. We have hundreds and hundreds of people working there on our behalf on our program. Of course, we keep expanding, and that's why I said, I can see this adding quite a lot of development people, but we're trying to avoid is hiring fillers.

I know some companies out there are really upset about announcing when they hired 1,000 people and maybe half of them, 500, are just fillers. But we don't have any fillers. We don't want any fillers. [indiscernible] (00:43:39) doesn't even have a secretary. Sometimes, he uses me, but it shows us that we are just so efficient that I myself

designing the cars. And I think that's – again, innovating doesn't come, if I give you 1 million people, it doesn't mean you're going to come up with an amazing idea.

Einstein and a few others did it pretty much by themselves. So I'm not worried about that. I think of course as we get out of the market, we're going to hire a ton of marketing and sales people. They're going to have people standing in our experience centers expanding our vehicles, but that's still about 18 months away. Until then, we're really just hiring a lot of brilliant engineers, software engineers, really smart people that helps create innovative products.

Geeta Gupta-Fisker*Chief Financial Officer & Director, Fisker, Inc.*

Hey, John.

John Murphy*Analyst, BofA Securities, Inc.*

[indiscernible] (44:31) – yeah.

Geeta Gupta-Fisker*Chief Financial Officer & Director, Fisker, Inc.*

This is Geeta. I just want to – John, I just want to highlight a little bit about our asset-light model. And your question is actually quite good because it kind of answers the fundamental philosophy of the company which is the platform sharing [indiscernible] (00:44:44). So, I just want to remind that we start our programs with something called platform sharing. And as a result, we are now developing everything single component in the car from scratch. So you don't need to have an engineering talent that is designing and engineering every single component. If you don't do that, you don't need to have a corresponding purchasing team or a corresponding SG&A staff. So, platform sharing is really critical for that lean asset-light.

The second part I want to highlight in both the program we are co-engineering. So, we do have a staff at Magna that supports the engineering program. The third part I want to highlight while we talk about direct staff at Fisker, we also have a huge pool of indirect and direct labor on the books of Magna Steyr where they will be building our cars. So there will be thousands of people who will be building our car at Magna Steyr, same at Foxconn. And then, finally, as Henrik alluded to, we are ramping up our sales and service staff both in Europe and US. So, yes, we will ramp-up, but in the right manner. We would not have staff that is like Henrik said pillars that they are every day adding incremental value.

Dan Galves*Vice President-Investor Relations, Fisker, Inc.*

Okay. Thanks, John. Lee, I'm just going to jump in. We took some questions from the [ph] play technology (00:46:02) platform over the last couple of weeks from retail investors. I want to ask a couple of those. The first one is – there are actually several highly-voted questions on chip supply and how Fisker plans to secure supply commitments in this area. Burkhard?

Burkhard J. Huhnke*Chief Technology Officer, Fisker, Inc.*

Yeah. Happy to take that. So the so-called chip shortage is a difficult challenge for the industry, but it's not really shortage. It's the result of a choice by the chip industry to repurpose capacity towards higher valued consumer

electronics chips, and just away from low margin legacy automotive microcontrollers, and let's say 28-nanometer nodes and higher.

So, the general industry is what – that this situation will work itself out over the next 12 months. But even if it doesn't, due to a few reasons it will be less impacted than most if at all. But let me explain. Number one, we have the luxury of finalizing the concentrates for the Ocean and its full knowledge consideration to our own contracts and our own partners. This allowed us to make design and supply chain choices that focus on these two areas of and supply chain choices that focused on these two areas of supply chain with ready supply for chips. For example, we're resourcing the vehicle control model chipsets through all partner Magna. Another example is in displays where our supplier Sharp is designing the components right now in sourcing semiconductors based on what is readily available.

So, number two, we always have planned in electrical and computer architecture that is more centralized. We are focused on high performance to make control this based on most modern [ph] SLCs (00:47:40). So this includes then our radars, it's [indiscernible] (00:47:44) with a mobilization systems, the solid state for the radar sensors, powertrain [indiscernible] (00:47:50), 5G connectivity volume, and these chips are not in short supply.

So, finally and probably most importantly in comparison to other start-ups is our partner network. With Magna and Foxconn financially invested in our ability to satisfy demand, we have two partners with deep influence and a vested interest in creating supply commitments for all complements of not just chips. We've already seen multiple instances where this has [ph] happened (00:48:20).

Dan Galves

Vice President-Investor Relations, Fisker, Inc.

A

Thanks, Burkhard. Next question is do you have a definite date to begin production of the Ocean? What's your plan to show early prototype version for the vehicle and what government subsidies do you anticipate?

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Yeah. Absolutely. We have very high confidence as I mentioned earlier in our Q4 2022 SOP next year. In fact, the actual SOP date is November 17 next year if you want an exact date. And I'm super confident supported by Magna that we will actually make that date.

Secondly, we start initial deliveries both in US and five key European markets also end of next year. And then more importantly full run rate production will happen in the first half of 2023. That's something that no other EV starters ever done. And I think quite frankly it would only be possible that somebody like Magna. In terms of demonstrated vehicles, I mentioned already we'll show first production vehicles in November. We are planning them to show it in Europe shortly beginning next year. And then, in Q1 next year, we'll actually get the first journalist and some analysts into vehicles and drive them, our first demonstrated vehicles. And quite frankly, both Burkhard and me, we already drove our powertrain. It's unbelievable, the powertrain. It actually it makes you feel like a Formula 1 driver because we have some really unique electronics in this powertrain that allows you to handle this vehicle on the limit in such an amazing way. I can't wait for people to try it. It's unbelievable in this price class. So I'm super excited about it. And again, remember, our vehicle starts at \$37,500 in US.

Now, finally, in terms of such subsidiaries, we believe we are legible for all the subsidiaries that are available at least the way it is today and that includes in Europe. And just to give an example, in Germany, with subsidiaries, our vehicle will be priced below €32,000. Now, for anybody on this call, you go and take a look at what you get for €32,000 in Germany and that's including [indiscernible] (00:50:41), which is sales tax in Germany which is pretty

high. So that's an incredible competitive vehicle. And that's why Germany is one of the first countries we're going to launch in Europe as well where we've gotten a lot of orders from already a lot of reservations.

Dan Galves*Vice President-Investor Relations, Fisker, Inc.*

A

Okay. One more retail question and then we'll get back to the analyst queue. Fisker is now one of the most shorted stocks on the market. Does the company have any plan to help protect shareholder value against short selling and manipulation?

Geeta Gupta-Fisker*Chief Financial Officer & Director, Fisker, Inc.*

A

Absolutely. We are only thinking of long-term shareholder value. Now, the challenge is there are so many new mobility and easy companies that are using the stack method to raise capital as we've seen in the last few months and several companies along the way have changed their strategies or targets. Now, not only the casting doubt in all [indiscernible] (00:51:29), it is also putting everyone in the same bucket. The only differentiator is execution and the ability of an experienced and dedicated company like Fisker to deliver quarter-on-quarter, and we are doing exactly that.

Just want to remind everybody that we knew we needed to raise \$1 billion, and we did exactly that to de-risk [indiscernible] (00:51:50) generating any revenue over the next few months. Number two, our original targets are still intact. Our original business model has not changed. We have not changed goalposts and are now based primarily on contracts not just estimates. Number three, we have to get through to our asset-light business model in a positive way by signing two part news to be able to deliver the cars we've planned for in our original filing which is why we have the ability to forecast an updated guidance on the PEAR program. Number four, in 2021, our milestone delivery and spending very much on target with our guidance, we are disciplined. We are an experienced management team that knows what is doing. Credibility does not happen overnight and we intend to continue to put out r proof points that we're not part of this crowded startup, inexperienced EV space, and it is no doubt it will be reflected in our stock price in the medium and in the longer term. We care for all our stakeholders and we are building the company for long-term success.

Henrik Fisker*Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.*

A

I just want to add something with Geeta just said I know that there is some niche funds that needs to go out and do some shorting, but I actually feel sorry for the people who has invested in those because it's clear that some of those shorts they just are very superficial, they don't have deep knowledge of how complex the automotive industry is. And I think if you spend a little bit of time understanding our business relationship with Foxconn and Magna, you will quickly understand that you stand to lose a lot of money if you're short against risk. But hey, that's my opinion and I hope we can prove everybody wrong.

Dan Galves*Vice President-Investor Relations, Fisker, Inc.*

A

Okay. Thanks. Thanks, Henrik. Lee, can we go back to the analyst queue for the last few months?

Operator: Yes. Yes, certainly.

Dan Galves

Vice President-Investor Relations, Fisker, Inc.

A

And everybody, please, limit your question to one, please.

Operator: Thank you. Moving on, your next question comes from the line of Jon Lopez from The Vertical Group. Your line is now open.

Jon D. Lopez

Analyst, The Vertical Trading Group LLC

Q

Hi. Thanks so much. I'll hold it to one, but I'm going to do a two-parter, if that's okay. I apologize. But I wanted to push or dig in a little bit more on powertrain and battery specifically. So, part A here, are you – just to make sure I'm clear, you're comfortable with commitments both pricing and volume on the sell side not just through the initial production launch, but all the way through to full volume ramp in 2023. Can you speak to that for a second? And then the second part just to throw it in. You've talked about comfort in up to 350 miles a range on higher train versions – models of the Ocean. I'm wondering if you can just talk for a second about any sort of range dispersion. As we get closer to the base model, are you willing to start talking to us a bit about range, what it might look like there? Thanks very much.

Geeta Gupta-Fisker

Chief Financial Officer & Director, Fisker, Inc.

A

Hey. I'll take the first part of the question. So what excites me about our policy is three things. First of all, we have very high-quality suppliers. We're not ready to reveal the names here; we want to keep it a secret a little bit. But both our partner suppliers, vendors are our partners in the Ocean program, and will be partners in the PEAR program. Really, really excited. They are committed. They know in Fisker they have a long-term partner.

Second thing, yes, our partners are committed. We are in the testing phase. We are not just in the concept phase and PowerPoint; we're actually in testing phase. We are testing both for the systems on their own. So, they are testing dummies. We're testing the systems on their own. And we have plans for testing in the ecosystem, so different meals, different prototypes, the PTOs, pre-PTOs, all of those. And then finally the third thing that really excites me, it's actually the pricing. I think we are at such a good pricing for both the systems which is in fact at par at some of the Tier 1 OEMs. And we are fully [ph] composed (00:55:51) for both the sales and the drive units.

Now, I believe on the batteries, we are at a cost position which is very competitive at the cell levels. The places where I see a further cost down opportunity, which will make us extremely competitive, is in pack assembly as we finalize our legal integration, testing, and validation. But we will review more information on both cell and pack infrastructure in due course once we finalize our localization.

I also want to remind everybody that for Ocean, we are looking at Europe. And of course for PEAR program, we are looking at US. And both our partners are geared up for both these locations. On range, I'll pass it on Burkhard.

Burkhard J. Huhnke

Chief Technology Officer, Fisker, Inc.

A

Yeah. So, we believe that 350 mile target for the high end powertrains very likely because that is what our virtual powertrain modeling is telling us. And we are able to simulate [indiscernible] (00:56:46). And now that the powertrain is fully sourced and specked out, we have all the variables and efficiency rates that we know will be [ph] then production version (00:56:56). So plus because we completely act as one team and all the non-

powertrain are in [indiscernible] (00:57:02), definitely a plan to achieve the aerodynamics and day targets required to achieve our goals and range and acceleration. So physical testing with production [indiscernible] (00:57:13) components that begins later this year, so but bottom line is we have challenging targets that our modeling and our plan is saying you can achieve them with high confidence.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Maybe I can just add to this. When we showed our vehicle originally in beginning of 2020, we had estimated 250 mile to 300 mile range, and again that comes back to the point we're able to put newer technology in the vehicle which is right in our [indiscernible] (00:57:37) close to 350 mile.

In terms of our base car, it hasn't changed. Like we had said, 250 mile to 300 mile, so the base car will be closer to 250 miles. But I think you will see two type of people in the future, those people who are okay with carrying around expensive battery, want the range. I think you're going to see people who realize that most of the daily commute is 30 miles, 40 miles and they don't really need to pay for a giant pack – battery pack of carry around. Let's not forget, sustainability and the environment carrying hundreds of pounds around every day if you only go 30 miles or 40 miles doesn't really make any sense. So, we really see two types of people here ordering our vehicle, those who probably have a lesser need for super long range and then those who'll have need for super long, but the super long or what we call the ultra-long range is available both in the medium and the top version. So, only the base version we have slightly less range, but more than adequate and I think more than most vehicles in the segment.

Dan Galves

Vice President-Investor Relations, Fisker, Inc.

A

Great. Thanks, Henrik. And let's try to squeeze one more question but it has to be pretty efficient. Thanks, Lee.

Operator: You're welcome. Your next question comes from the line of Jeff Osborne from Cowen and Company. Your line is now open.

Jeffrey Osborne

Analyst, Cowen and Company

Q

[indiscernible] (58:59). Henrik, all of your comments are about the \$37,000 vehicle, but the medium-term operating model for the company suggests that the prices will be up in the mid \$50,000 to \$60,000. So I didn't know what level of comfort you have that some of the features that you'll be showing at the LA Auto Show and other performance features will be actually what the consumer wants, just especially given – in response to your question about environmentalism and the limited range that people need.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

A

Yeah. I'm fully confident. We have not changed any of that course. In fact, only our top vehicle will be over \$50,000. I think you'll be very surprised with our first two vehicles. In fact, we have scrapped the base and we [ph] called down (00:59:45) the base to sport model. And the second vehicle is the powersport. The powersport will also be on the \$50,000. So, we are very comfortable with the equipment we have in the vehicle. We're going to be able to offer additional things with over-the-air updates. But I don't think there's any car out there, any vehicle that's even close to compete with what we are offering.

Dan Galves

Vice President-Investor Relations, Fisker, Inc.

We've crossed the range. Okay. Thanks, Jeff.

Dan Galves

Vice President-Investor Relations, Fisker, Inc.

We're out of time. So, Lee, can you close out the call, please? Thanks everybody for your participation. Thanks for your interest in Fisker. We really appreciate it.

Henrik Fisker

Chairman, Co-Founder & Chief Executive Officer, Fisker, Inc.

Thank you very much, everybody. Appreciate it.

Operator: Thank you, presenters. And ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.

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