



stem

November 3, 2022

Q3 2022 - Financial Results

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Forward-looking statements address matters that are, to varying degrees, uncertain, such as statements about our financial and performance targets and other forecasts or expectations regarding, or dependent on, our business outlook; the expected synergies of the combined Stem and AlsoEnergy company; our ability to continue to successfully integrate the combined companies; our ability to security sufficient inventory from suppliers to meet customer demand; our ability to manage supply chain issues and manufacturing or delivery delays; our joint ventures, partnerships and other alliances; reduction of greenhouse gas (“GHG”) emissions; the integration and optimization of energy resources; our business strategies and those of our customers; the global commitment to decarbonization; our ability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; our ability to manage our supply chains and distribution channels and the effects of natural disasters and other events beyond our control, such as the COVID-19 pandemic and variants thereof, and government and business responses thereto; the impact of the ongoing conflict in Ukraine; our ability to meet contracted customer demand; the expected impact of the Inflation Reduction Act on our business; and future results of operations, including revenue and adjusted EBITDA. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to our inability to secure sufficient inventory from our suppliers to meet customer demand, and provide us with contracted quantities of equipment; supply chain interruptions and manufacturing or delivery delays; disruptions in sales, production, service or other business activities; general economic, geopolitical and business conditions in key regions of the world, including inflationary pressures, general economic slowdown or a recession, increasing interest rates, and changes in monetary policy; the ongoing effects of the COVID-19 pandemic on our workforce, operations, financial results and cash flows; the effects of the ongoing conflict in Ukraine; the results of operations and financial condition of our customers and suppliers; pricing pressure; inflation; weather and seasonal factors; challenges, disruptions and costs of integrating AlsoEnergy and achieving anticipated synergies, or such synergies taking longer to realize than expected; risks that the integration disrupts current plans and operations that may harm our business; uncertainty as to the effects of the transaction on the long-term value of our common stock; our ability to continue to grow and to manage our growth effectively; our ability to attract and retain qualified employees and key personnel; our ability to comply with, and the effect on their businesses of, evolving legal standards and regulations, particularly concerning data protection and consumer privacy and evolving labor standards; risks relating to the development and performance of our energy storage systems and software-enabled services; our inability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the risk that our business, financial condition and results of operations may be adversely affected by other political, economic, business and competitive factors; and other risks and uncertainties set forth in our most recent Forms 10-K, 10-Q and 8-K filed with or furnished to the SEC. 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Non-GAAP measures

In addition to disclosing financial results in accordance with U.S. GAAP, this presentation includes references to non-GAAP financial measures, including EBITDA and non-GAAP gross margin. We believe these non-GAAP measures provide useful supplemental information regarding certain financial and business trends relating to our financial condition and results of operations. We also believe that these non-GAAP financial measures provide an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing our financial performance with other similar companies, many of which present similar non-GAAP financial measures to investors. These non-GAAP financial measures are in addition to, and should not be considered superior to, or a substitute for, financial results prepared in accordance with GAAP. Non-GAAP financial measures should not be considered in isolation and are subject to significant inherent limitations. The non-GAAP measures presented herein may not be comparable to similar non-GAAP measures presented by other companies. Reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures are included in the Appendix to this presentation.

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Agenda

- Third Quarter 2022 Highlights
- Commercial Execution
- Technology Leadership
- Supply Chain Update
- Financial and Operating Results
- Reaffirming Guidance
- Key Takeaways



Third Quarter 2022 Results & Highlights

Strong bookings and revenue growth driving momentum into 2023

Continued Q3 Momentum

Record Revenue

\$100M

+150% YoY

+49% QoQ

GAAP/Non-GAAP

Gross Margin

9% / 13%

flat YoY

Record Contracted
Backlog

\$817M

+162% YoY

Strong Bookings

\$223M

+115% YoY

Record Pipeline

\$7.2B

+200% YoY

+29% QoQ

Contracted Annual
Recurring Revenue

\$61M

+5% QoQ

Q3 Highlights



Record Q3 revenue, above high end of guidance range; reaffirm full year 2022 guidance*



YTD bookings 150% above full year 2021



Athena ranked #1 for innovation in optimization and trading by Frost & Sullivan



Integrating Stem + AlsoEnergy edge controls to improve supply chain resilience

Strong execution despite market turbulence; reaffirming guidance

Solid Commercial Execution

Bookings momentum and software services pricing power drive growth and margins

- Contracted Annual Recurring Revenue (CARR) up +5% QoQ at \$61M underscores leading software differentiation
- Services revenue increased 9% QoQ; expect acceleration in 2023+
- Continuing margin increase in Bookings; hardware supply availability a key differentiator
- Pipeline up +29% QoQ:
 - Inflation Reduction Act driving strong demand
 - Multi-billion dollar cross-sell potential
- EV offering momentum: more than double average Behind-The Meter (BTM) system size and 2X software fee

Athena Ranked #1

Stem ranked #1 for innovation by Frost & Sullivan in its Frost Radar™: Digital Platforms for Renewable Energy and Battery Storage Optimization and Trading report

Report highlights:

- Top software solution with a track record of delivering tangible, high-value ROI
- Fully automated model selection to constantly improve optimization and forecasting
- Industry-leading team of specialists that support the entire value chain

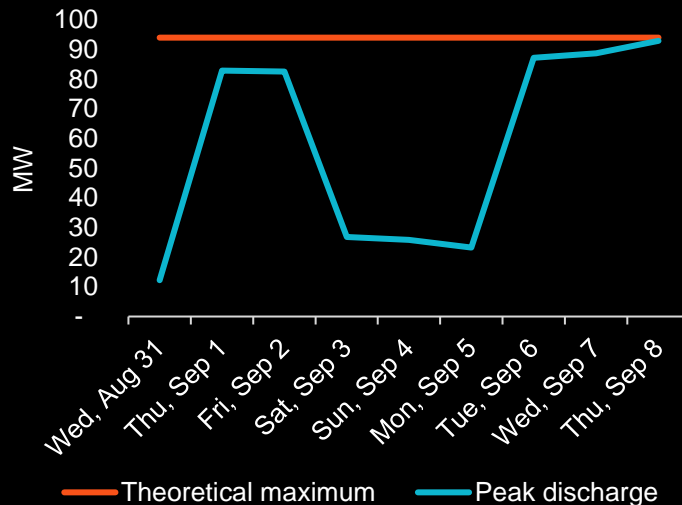


Technology Leadership

Strong Athena execution in support of the grid and customers

- Supported California grid with 86 MW / 260 MWh on September 6; delivered 1.7 GWh during seven “Flex Alert” days in August and September 2022, equivalent to load for >100,000 homes delivered instantaneously to grid
- Athena delivering strong performance across multiple market segments:
 - California: earned 112% of eligible grid incentive payments in September 2022, exceeding target YTD across 500+ MWh
 - Demand charge management: Generated ~150% of expected savings during summer months
 - Ontario: saved customers 20% on annual electricity bill

Dispatched near maximum in CA during September 2022 grid stress



AlsoEnergy Outperforming the Broader Solar Industry

Negative impact on near-term demand, but significant growth expected in 2023 and beyond

Supply chain issues, labor shortages and related regulatory actions have dampened 2022 growth

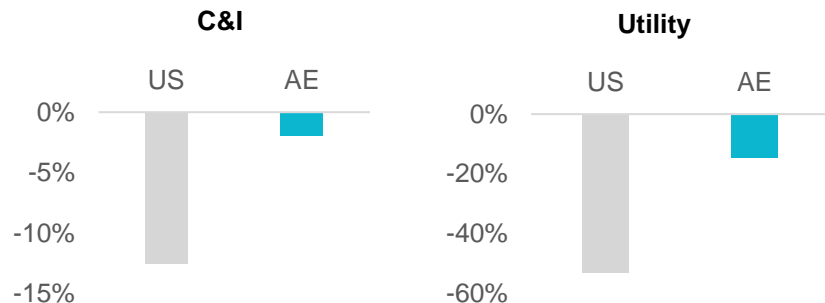
- Sharply lower volumes in 2022, particularly in utility-scale solar
- Revenue decline partially offset by (1) mix shift to C&I and (2) price increases driven by strength of customer base
- Expect normalization of port logistics in 1H 2023

Pipeline growth is accelerating heading into 2023, with continued strength in 2024+

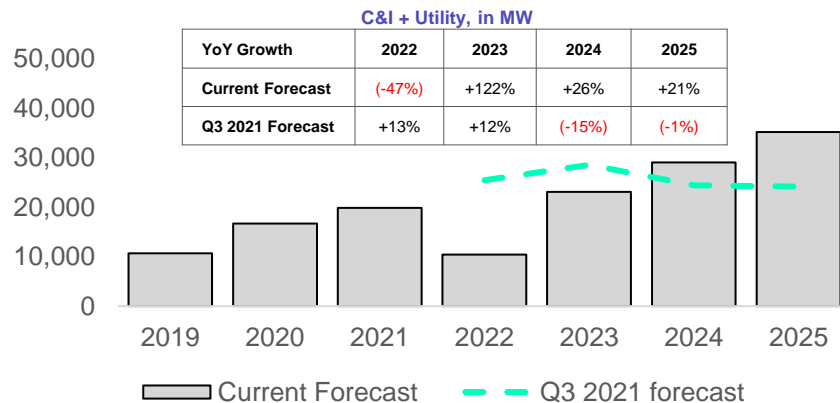
- Following passage of the Inflation Reduction Act, significant uptick particularly in C&I demand driven by Fortune 500 accounts and the Utility segment

AlsoEnergy Outperforming the Industry

(Installations / Billings year-over-year growth)



US Solar Industry Installations Rebounding in 2023



Improving Access to Large Scale Solar + Storage

Athena Unit Controller enables more customer choice while driving better margin

Initiative

- Develop universal “unit controller” edge device for Athena-enabled control
- Decouple battery, inverter, and balance of plant on large scale sites

Customer benefits

- Enables supplier optionality to dampen supply chain volatility
- Creates lock-in and flexibility for interconnection applications

Stem benefits

- Increases penetration into large solar / storage FTM market
- Drives higher software revenues
- Every PowerTrack site is Athena-ready

Current Offerings

Existing Stem offering

Athena Controls and AI Solutions

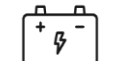
athena
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3rd party integrator offering

Unit Controller



Battery



Inverter



Unit Controller Strategy

Athena Controls and AI Solutions

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Expanded Stem offering, *inclusive of unit controller capability*

Unit Controller



Battery



Inverter



Decoupled battery and inverter sourced direct from OEMs

AlsoEnergy Integration Progress

- Introduced unified experience for Athena + PowerTrack
- Consolidating power controller production in Longmont, CO with 30% improvement to cost of goods sold
- RE+ conference success:
 - 150+ scheduled customer meetings
 - Advanced over \$500M in Pipeline
- Driving operational efficiency
 - Adding headcount in India and Colorado
 - Global review of legacy platforms and customer profitability

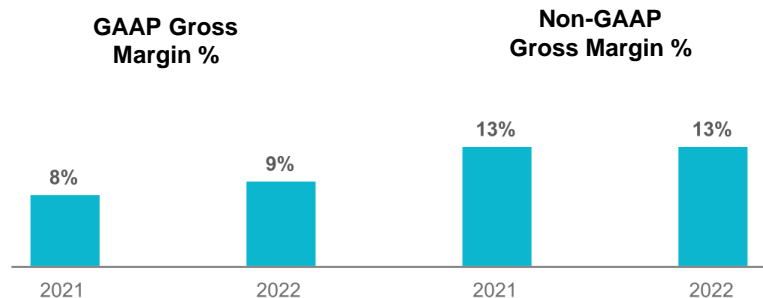
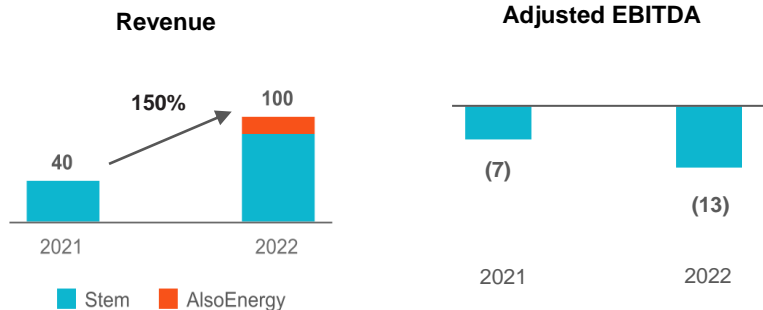


Financial and Operating Results

Financial Metrics

Revenue, Adjusted EBITDA and Gross Margin

Period ending September 30, \$ millions unless otherwise noted



See Appendix for reconciliation of non-GAAP financial measures to most directly comparable GAAP measures.

Strong Revenue and Margin Growth

- Revenue up 49% QoQ versus Q2'22
- Service revenue increased 9% QoQ

On track for full-year Adjusted EBITDA guidance:

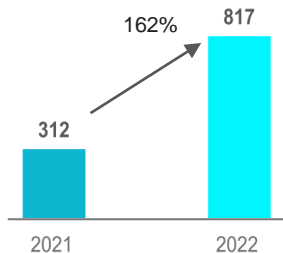
- FTM projects impact near-term gross margin but add significant CARR and market participation upside
- Solar end market turbulence creating gross margin pressure; expect rebound in 2023+
- Managing costs: Q3'22 cash opex 28% of revenue vs. 36% in Q2'22 and 56% in Q3'21

Operating Metrics

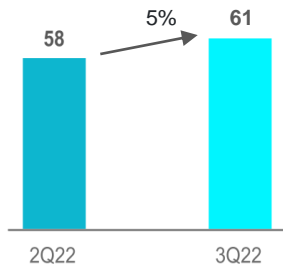
Line of sight to \$1 billion of Backlog

Period ending September 30, \$ millions unless otherwise noted

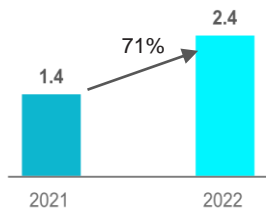
Backlog



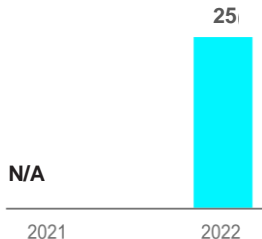
CARR



**AUM – storage
(GWh)**



**AUM – solar
(GW)**



Operating Highlights

- Backlog up 162% YoY, driven by strong bookings
- CARR at \$61M at quarter end, up 5% since Q2'22; on track for full-year guidance of \$65 - \$85M
- Storage AUM up 71% YoY
- Solar AUM down 7 GW QoQ after profitability review; continuing to migrate customers away from legacy platforms

Solar AUM: Accelerating Path to Positive EBITDA

Phasing out unprofitable solar monitoring platforms, migrating customers to core platform

Growth
(2017-2018)
Acquired multiple
platforms

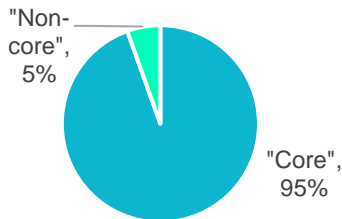


Consolidation
(2019-2021)
Sunset legacy platforms and
migrated customers



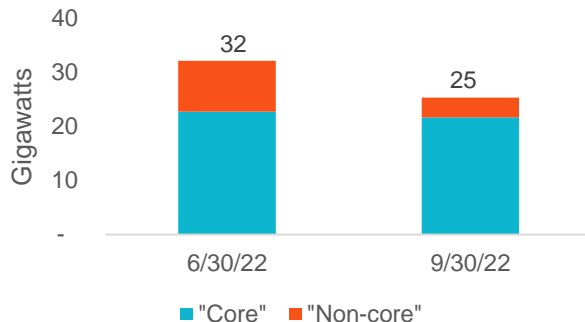
Standardization
(2022-2023)
Gross margin
accretive

**Customers on “Core” platform account
for ~95% of AlsoEnergy revenue**
9/30/22 ARR split, “core” versus “non-core”



**Strategic review resulted in
reduction in “non-core” AUM**

2Q22 / 3Q22 AUM split, “core” versus “non-core”



Attributes of software platforms

"Core"	"Non-Core"
~95% of ARR	~5% of ARR
High margin	Negative margin
Uniform features	Bespoke features
Highly secure	Less secure

No impact to \$6 billion US solar / storage cross-sell opportunity

Reaffirming Full Year 2022 Guidance

Revenue	2022E: \$350 – \$425M 15–20% Non-GAAP Gross Margin	→	Q1'22A \$41M 16%	Q2'22A \$67M 17%	Q3'22A \$100M 13%	Q4'22E \$145– 220M <i>Prior: \$175 - \$225M</i>
Bookings	2022E: \$850 – \$950M <i>Prior: \$775 - \$950M</i>	→	Q1'22A \$151M	Q2'22A \$226M	Q3'22A \$223M	Q4'22E \$250– 350M
Adjusted EBITDA	2022E: (\$60) – (\$20)M	CARR		Year-End 2022E: \$65 – \$85M		

Confidence to Reaffirm Full-Year Guidance

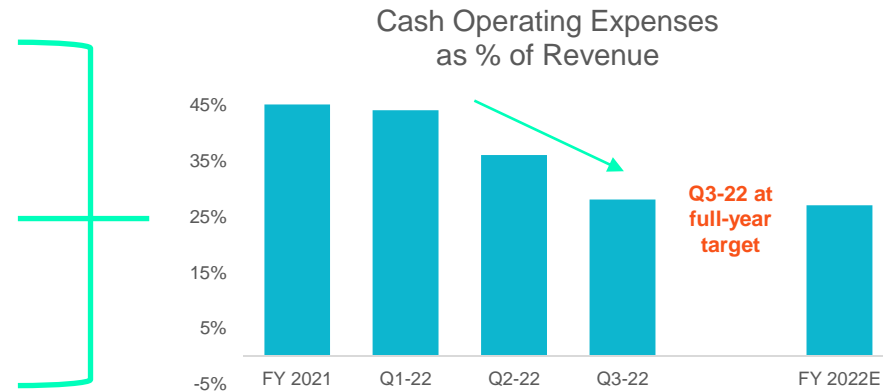
Accelerating high margin services revenue supports long-term financial targets

- Despite challenging macroeconomic backdrop, customers view energy and sustainability as strategic
 - Double digit increases in electricity bills
 - Opportunity to enhance cash flows through market participation
- We believe there are multiple paths to continuing to perform against financial targets:

Significant uptick in Pipeline and Backlog gross margin across energy storage and solar APM that only accelerates with the Inflation Reduction Act

Potential to accelerate delivery of energy storage hardware and improved pricing power given strategic access to supply chain

Accelerating high margin services revenue
(eg. +177% YoY | +9 QoQ growth in Services Revenue)

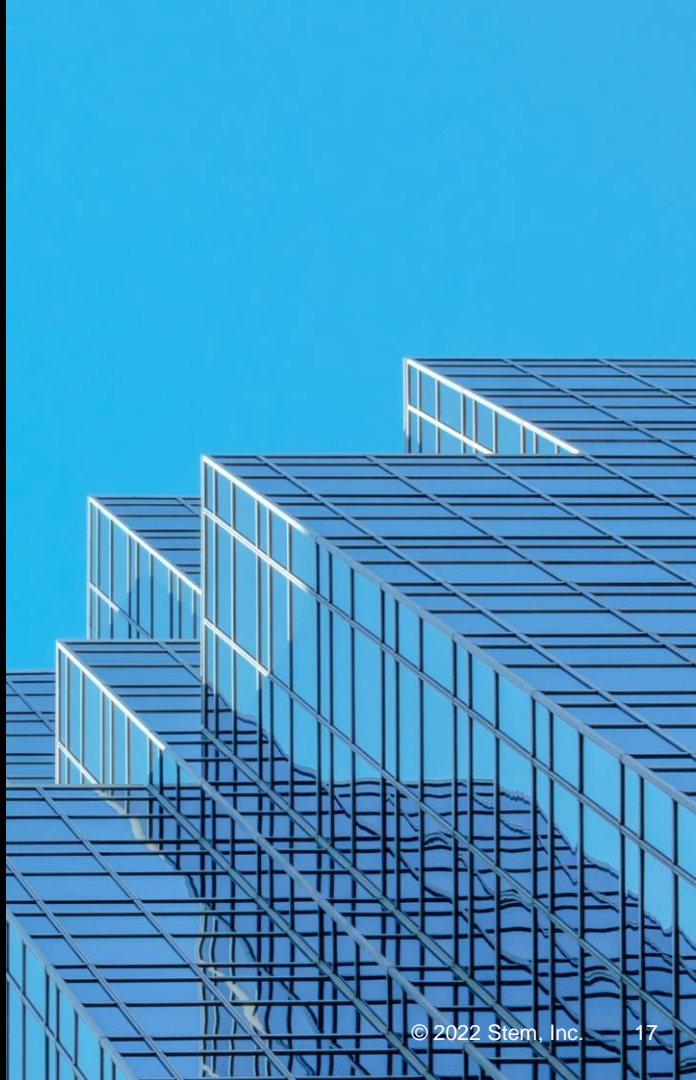


Key Takeaways

Inflation Reduction Act accelerates solar and storage demand, positioned for EBITDA positive in 2H 2023

- Q3 momentum driven by strong end market demand
 - Solid revenue above high end of guidance
 - Substantial bookings growth: ~\$600M YTD, +150% from FY2021
- Technology leadership validated by Frost & Sullivan #1 ranking
- Unit controller strategy expected to dampen supply chain volatility
- Services revenue +9% QoQ, CARR +5% QoQ demonstrating growth in high margin software/services
- Integration of AlsoEnergy on track: introduced unified customer experience, consolidation of manufacturing operations
- Line of sight to exit 2022 with ~\$1 billion of backlog

Building the leading clean energy intelligence platform



Q&A

Appendix

Financial and Operating Metrics

Solid Third Quarter Results

\$ millions unless otherwise noted

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$99.5	\$39.8	\$207.5	\$74.6
GAAP Gross Margin	9.1	3.1	20.5	2.9
GAAP Gross Margin %	9%	8%	10%	4%
Non-GAAP Gross Margin	12.4	5.2	30.3	8.7
Non-GAAP Gross Margin %	13%	13%	15%	12%
Net Loss Attributable to Stem	(34.3)	115.6	(88.8)	(67.2)
Adjusted EBITDA	(12.5)	(6.5)	(36.4)	(18.0)
Operating metrics				
12 Month Pipeline (\$ billions)	\$7.2	\$2.4	\$7.2	\$2.4
Bookings	222.9	103.7	599.4	148.8
Contracted Backlog	817.2	312.0	817.2	312.0
Contracted Storage AUM (GWh)	2.4	1.4	2.4	1.4
Solar Monitoring AUM (GW)	25.0	**	25.0	**
CARR	61.4	**	61.4	**

See slide 18 for reconciliation of non-GAAP financial measures to most directly comparable GAAP measures.

Supplemental AlsoEnergy Financial Detail

\$ millions unless otherwise noted

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Hardware Revenue	\$9.5	\$21.2
Services and Other Revenue	7.1	19.1
Total Revenue	16.6	40.3
GAAP Gross Margin	\$6.0	\$15.0
GAAP Gross Margin (%)	36%	37%
Labor Expense in Cost of Sales*	\$2.4	\$6.2
Amortization of Intangibles	1.1	2.9
Pro Forma Gross Margin	9.5	24.1
Pro Forma Gross Margin (%)	57%	60%

** Represents a portion of operating expenses reclassified to Cost of Sales for AlsoEnergy*

Reconciliation of Non-GAAP Gross Margin

\$ millions unless otherwise noted

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue	\$99.5	\$39.8	\$207.5	\$74.6
Cost of Revenue	(90.4)	(36.7)	(187.0)	(71.7)
GAAP Gross Margin	9.1	3.1	20.5	2.9
GAAP Gross Margin (%)	9%	8%	10%	4%
Adjustments to Gross Margin				
Amortization of Capitalized Software	\$2.9	\$1.4	\$7.6	\$3.8
Impairments	0.4	0.7	2.2	2.0
Non-GAAP Gross Margin	12.4	5.2	30.3	8.7
Non-GAAP Gross Margin (%)	13%	13%	15%	12%

We define non-GAAP gross margin as gross margin excluding amortization of capitalized software and impairments related to decommissioning of end-of-life systems.

Reconciliation of Adjusted EBITDA

\$ thousands	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (loss) income attributable to Stem	\$(34,279)	\$(115,612)	\$(88,781)	\$(67,157)
Adjusted to exclude the following:				
Depreciation and amortization	11,547	6,003	33,353	17,558
Interest expense	2,520	2,674	8,429	12,835
Loss on extinguishment of debt	---	---	---	5,064
Stock-based compensation	7,678	6,199	20,410	7,983
Vesting of warrants	---	---	---	9,183
Change in fair value of warrants and embedded derivative	---	(137,001)	---	(3,424)
Transaction costs in connection with business combination	---	---	6,068	---
Litigation settlement	---	---	(727)	---
Provision for income taxes	19	---	(15,201)	---
Adjusted EBITDA	\$(12,515)	\$(6,513)	\$(36,449)	\$(17,958)

stem We define Adjusted EBITDA as net loss before depreciation and amortization, including amortization of internally developed software, net interest expense, further adjusted to exclude stock-based compensation and other income and expense items, including transaction and acquisition-related charges, the change in fair value of warrants and embedded derivatives, and income tax benefit.

Definitions

Item	Definition
12-Month Pipeline	Pipeline represents the total value (excluding market participation revenue) of uncontracted, potential energy storage hardware and software contracts that are currently being pursued by Stem direct salesforce and channel partners with developers and independent power producers seeking energy optimization services and transfer of energy storage systems that have a reasonable likelihood of execution within 12 months of the end of the relevant period based on project timelines published by such developers and independent power producers. We cannot guarantee that our pipeline will result in meaningful revenue or profitability.
Bookings	<p>Total value of executed customer agreements, as of the end of the relevant period (e.g. quarterly booking or annual booking)</p> <ul style="list-style-type: none"> • Customer contracts are typically executed 6-18 months ahead of installation • Booking amount typically includes: <ol style="list-style-type: none"> 1) Hardware revenue, which is typically recognized at delivery of system to customer, 2) Software revenue, which represents total nominal software contract value recognized ratably over the contract period, • Market participation revenue is excluded from booking value
Contracted Annual Recurring Revenue ("CARR")	Annual run rate for all executed software services contracts including contracts signed in the period for systems that are not yet commissioned or operating.
Contracted Backlog	<p>Total value of bookings in dollars, as reflected on a specific date</p> <ul style="list-style-type: none"> • Backlog increases as new contracts are executed (bookings) • Backlog decreases as integrated storage systems are delivered and recognized as revenue
Contracted Assets Under Management ("AUM")	Total GWh or GW of systems in operation or under contract
Hardware Revenue	<p>Payment for initial purchase of system, which is typically recognized at delivery of system to customer</p> <ul style="list-style-type: none"> • Total Hardware Revenues = Total Deliveries (kWh) x Project Hardware ASP (\$/kWh) • ASP / margin based on value added services including hardware selection, project design and interconnection / permitting advisory and warranty design and compliance
Software Revenue	<p>Recurring SaaS payment driven by storage assets under management (AUM)</p> <ul style="list-style-type: none"> • Total Software (Recurring) Revenues = Total AUM (kWh) x Software subscription (\$/kWh/month) • SaaS contracts range up to 20 years comprising recurring monthly payments
Market Participation Revenue	<p>Revenues from monetization of energy storage capacity into energy markets and VPPs secured by contracts ranging up to 20 years</p> <ul style="list-style-type: none"> • Total Software (Variable) Revenues = Total AUM (kWh) x Stem's Market Participation Revenues (\$/kWh)



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