



stem

Q1 2022

Financial Results

May 5, 2022

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# Agenda

- First Quarter 2022 Highlights
- Commercial Execution
- Managing Regulatory Uncertainty
- Supply Chain Update
- Technology Innovation
- Financial and Operating Results
- Guidance Update



# First Quarter 2022 Results and Highlights

Strong bookings and technology innovation drive momentum in 2022 and beyond

## Strong 1Q Momentum

Revenue

**\$41M**

+166% YoY

GAAP/Non-GAAP

Gross Margin

**9%/16%**

Record Contracted  
Backlog

**\$565M**

+156% YoY

Bookings

**\$151M**

+196% YoY

Record Pipeline

**\$5.2B**

+271% YoY

Contracted Annual  
Recurring Revenue

**\$52M**

## 1Q Highlights



Recurring revenue and contracted standalone storage projects represent more than 85% of remaining 2022 total revenue at midpoint of guidance\*



1Q revenue above high end of guidance range; Reaffirm 2022 full year guidance\*

**AlsoEnergy**

Integration on track; implemented solar monitoring price increases in 1Q



Secured hardware requirements for remainder of 2022 and into 2023 despite ongoing supply chain challenges

**Strong execution and continued focus on driving operating leverage**

# Solid Commercial Execution

Bookings momentum and software services pricing power drive growth and margins

- Diversified business model reduces impact of industry volatility
- Contracted Annual Recurring Revenue (CARR) up +114% QoQ at \$51.5M underscores leading software differentiation
- AlsoEnergy commercial synergies on track for 2022 bookings
- Unique capabilities and technology leadership support pricing power:
  - Implemented price increases on solar asset performance management offering
  - Launching professional services offering for energy storage solutions to further monetize operations and program management capabilities





# Expanding Markets and Customer Diversity

Managing through regulatory uncertainty (AD/CVD)

## Energy storage systems

- More than 85% of our remaining 2022 revenue plan at midpoint of guidance comes from recurring revenue & standalone storage projects
- Monitoring solar + storage projects to ensure panel supply and project completion
- Managing solar industry volatility with focus on standalone storage and international markets

## Solar asset performance management

- Potential impact to utility-scale (FTM) business from circumvention uncertainty
  - Smaller impact on C&I/BTM
  - Expect project delays



# Storage Supply Improving, Solar Uncertain

Global supply constraint managed through strategic OEM relationships

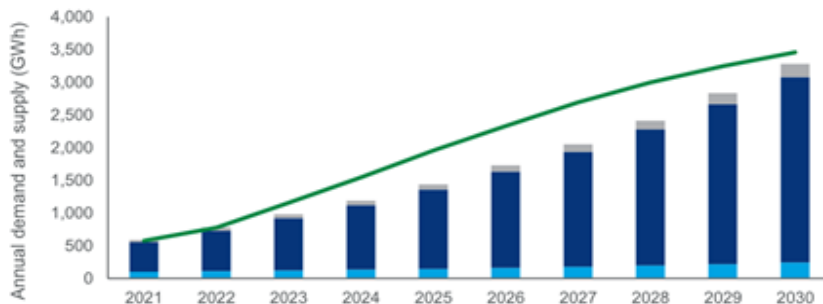
## Energy storage systems

- Secured 100% of full year 2022 supply at fixed prices, beginning to execute on 2023 supply
- Evaluating opportunistic supply based on potential impacts of AD/CVD
- Analysts expect oversupply situation beginning in 2023

## Solar asset performance management

- AD/CVD negatively impacting near-term panel deliveries for customers; utility-scale projects being pushed out
- Focus on BTM and international markets
- Evaluating cost containment measures

Global lithium-ion battery demand and supply

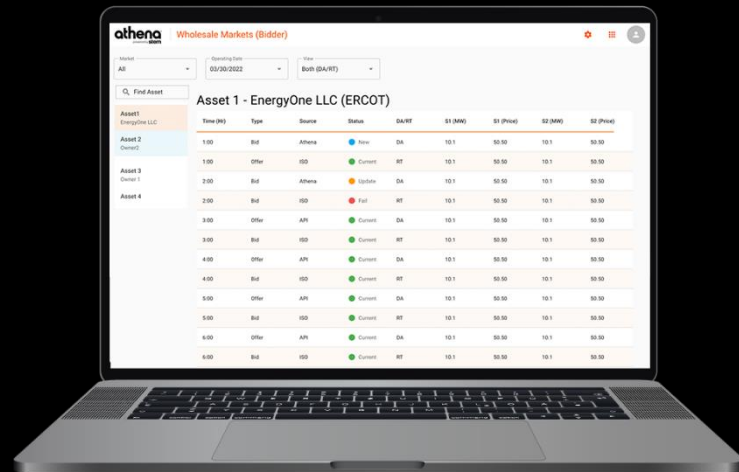


Source: Wood Mackenzie

Electronics demand EV demand ESS demand Base case supply

# Accelerating Market Enablement Through Technology Innovation

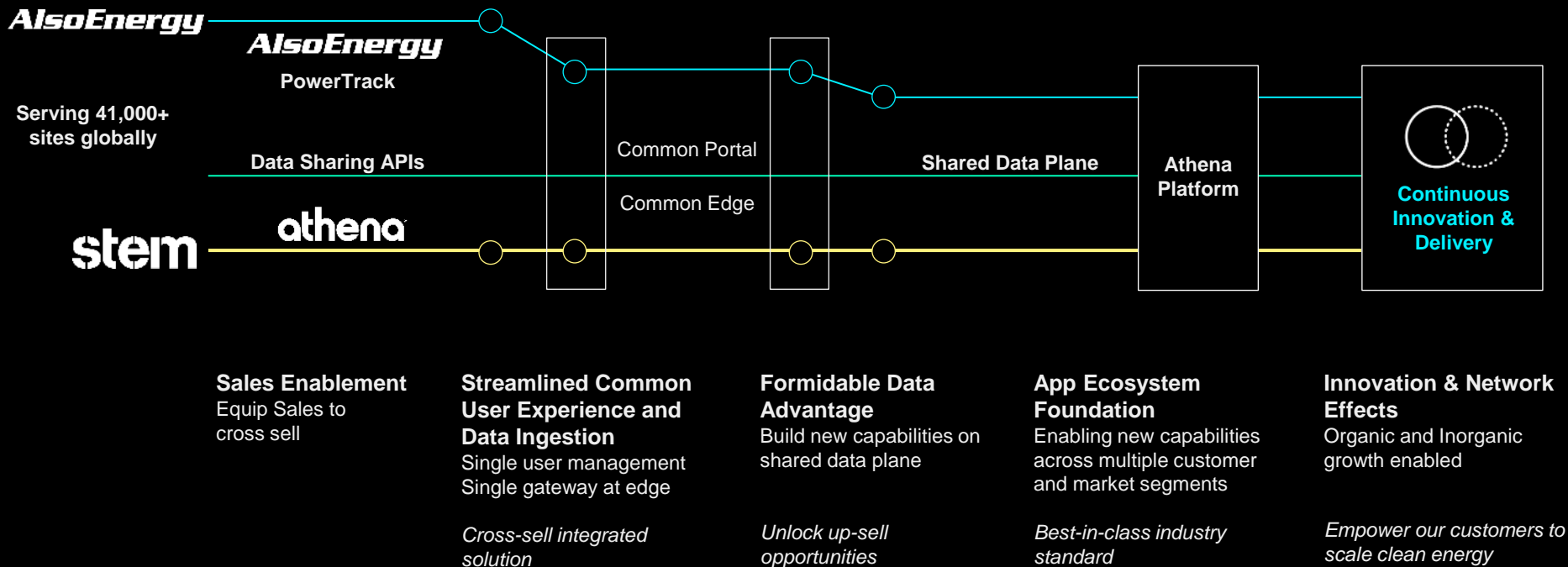
- Flexible Market Framework enables rapid deployment of Athena Bidder:
  - Quicker integration of market specific data, external forecasts and custom optimization strategies
  - Faster new wholesale energy market software deployments than most site permitting and interconnection timelines
- Activated first system in Chile and on track to deliver first virtual power plant (VPP) in South America with minimal incremental software development
- Leveraging software development and technical support platform at AlsoEnergy India to accelerate new product introductions at lower cost





# Unmatched Clean Energy Intelligence Platform

Building the global leading performance management and optimization solution

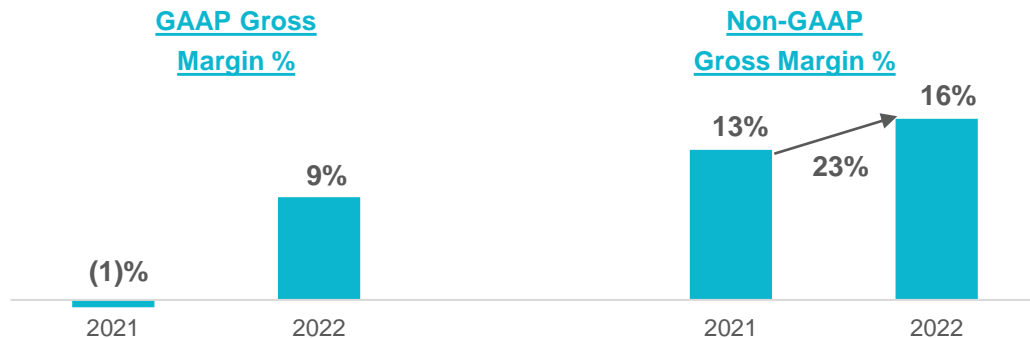
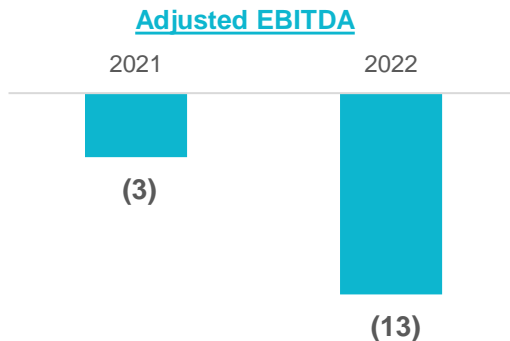
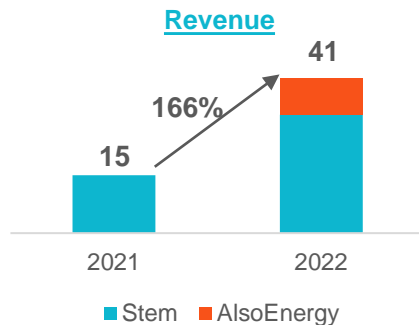


Unique capability with significant global reach and market leading AUM

# Financial Metrics

## Revenue, Adjusted EBITDA and Gross Margin

Period ending March 31st, \$ millions unless otherwise noted



## Strong Revenue and Margin Growth

- Revenue up 166% YoY in Q1'22
- Margin improvement from addition of AlsoEnergy following acquisition completed in February 2022
- Q1'22 Pro Forma Gross Margin = 21% (slide 19)

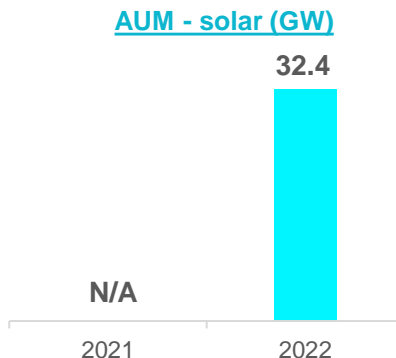
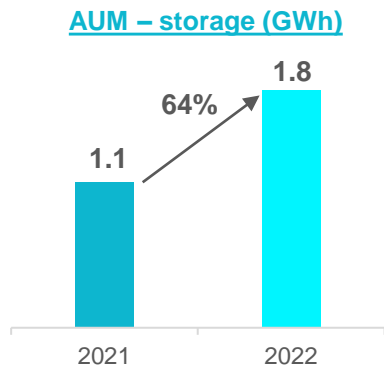
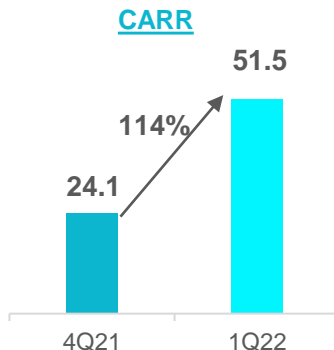
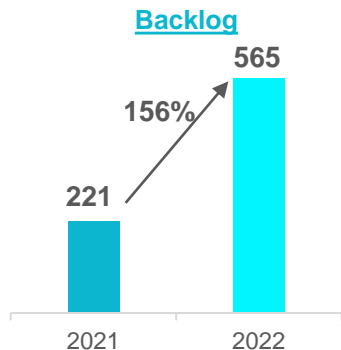
## Adjusted EBITDA impacted by:

- FTM projects impact near-term gross margin but add significant CARR and market participation upside
- Head count additions focused on accelerating growth opportunities in EV and new markets
- Public company costs

# Operating Metrics

## Strong Momentum in Backlog, CARR and AUM

Period ending March 31, \$ millions unless otherwise noted



## Backlog, CARR and AUM Growth

- Backlog up 156% YoY, driven by strong bookings
- CARR at \$51.5M at quarter end, up 114% since yearend 2021; on track for full-year guidance of \$60-\$80M
- Storage AUM up 64% YoY
- Solar monitoring AUM provides strong foundation for growth and cross-selling

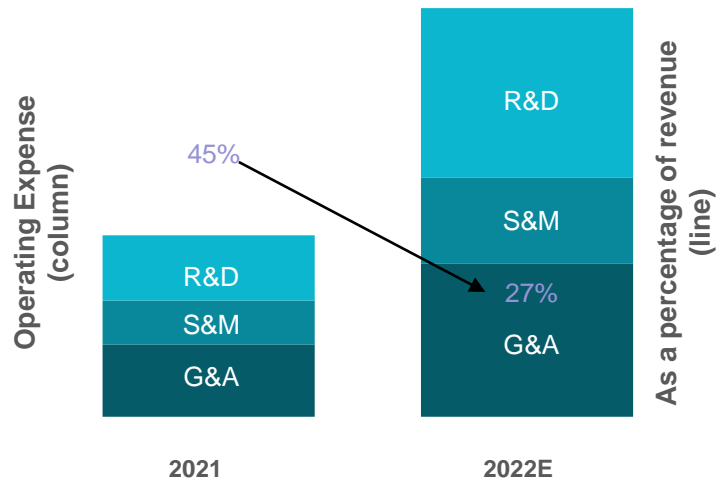
# Reaffirming Full Year 2022 Guidance

	2022E:	Q1'22A	Q2'22E	Q3'22E	Q4'22E
Revenue	<b>\$350 - \$425M</b> → 15-20% Non-GAAP Gross Margin	<b>\$41M</b> 16%	<b>15%</b>	<b>22.5%</b>	<b>55%</b>
			% of annual revenue		
	2022E:	Q1'22A	Q2'22E	Q3'22E	Q4'22E
Bookings	<b>\$650 - \$750M</b> →	<b>\$151M</b>	<b>20%</b>	<b>25%</b>	<b>35%</b>
			% of annual bookings		
Adjusted EBITDA	2022E: <b>(\$60) – (\$20)M</b>				
CARR				Year-End 2022E: <b>\$60 – \$80M</b>	

# Investing in Growth and Profitability

Focused on new markets and enhanced margin to drive operating leverage

Operating expense as percentage of revenue is declining rapidly



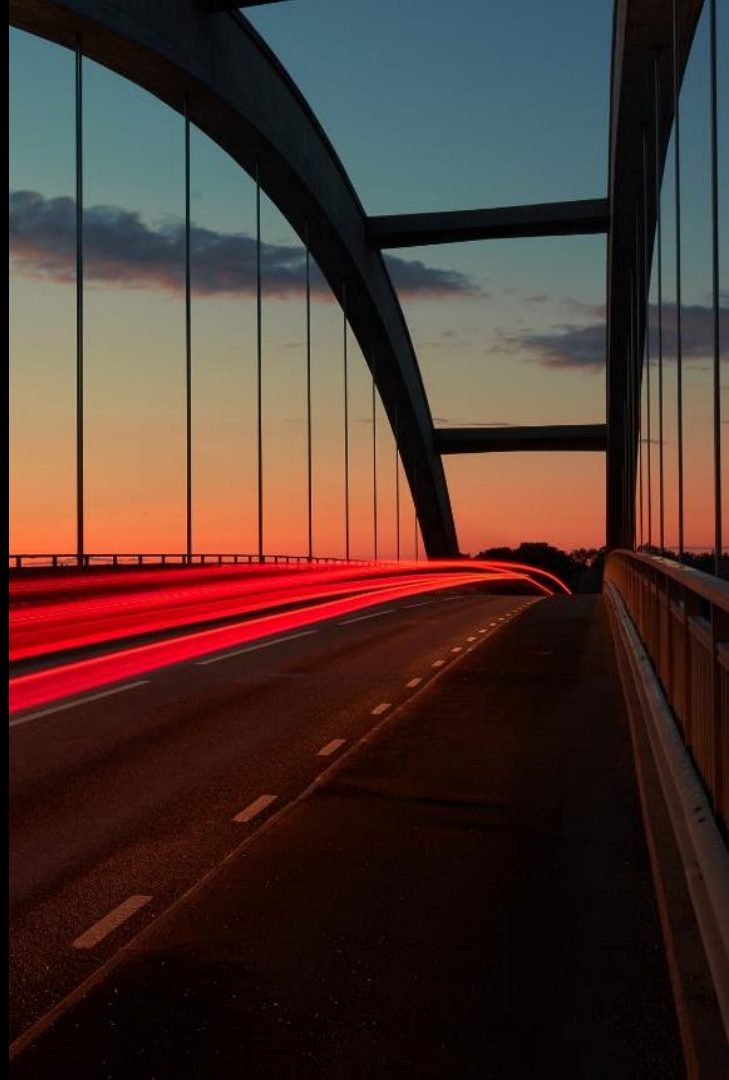
Initiative	Impact	
Stem/AlsoEnergy Commercial Synergies	R&D S&M	<ul style="list-style-type: none"><li>Access large FTM and portfolio opportunities</li><li><b>Accelerate combined booking and revenue momentum</b></li></ul>
Fleet EV GHG Co-optimization	R&D	<ul style="list-style-type: none"><li>Enhance BTM offerings targeting Fortune 500 accounts</li><li><b>Increase in average deal size</b></li><li><b>2X+ software revenue</b></li></ul>
Operating Leverage	All	<ul style="list-style-type: none"><li>Leverage AlsoEnergy India infrastructure</li><li>Common technology and systems</li></ul>

# Key Takeaways

Strong bookings and software platform expansion drive momentum in 2022

- Exceptional Q1 momentum driven by customer and market diversity
  - Solid revenue above high end of guidance
  - Substantial bookings growth: +196% YoY
- CARR drives enhanced operating leverage
- Unique capabilities and technology leadership support pricing power
- Reaffirm 2022 financial guidance driven by growing standalone storage momentum which is not impacted by solar module AD/CVD inquiry
- Secured 100% of full-year 2022 supply at fixed prices
- Integration of AlsoEnergy on track: focused on commercial synergies and driving operational leverage through India software development operations

**Building the leading clean energy intelligence platform**





# Q&A

# Appendix

# Financial and Operating Metrics

## Solid First Quarter Results

Three Months ended  
March 31

<i>\$ millions unless otherwise noted</i>	2022	2021
Revenue	\$41.1	\$15.4
GAAP Gross Margin	3.6	(0.1)
GAAP Gross Margin %	9%	(1)%
Non-GAAP Gross Margin	6.4	2.0
Non-GAAP Gross Margin %	16%	13%
Net Loss	(22.5)	(82.6)
Adjusted EBITDA	(12.8)	(3.2)
Operating metrics		
12 Month Pipeline (\$ billions)	\$5.2	\$1.4
Bookings	150.8	50.8
Contracted Backlog	565.1	221.0
Contracted Storage AUM (GWh)	1.8	1.1
Solar Monitoring AUM (GW)	32.4	--
CARR	51.5	--

# Reconciliation of Pro-Forma Financial Measures

Year ended  
December 31, 2021

*\$ millions unless otherwise noted*

	Stem	AlsoEnergy	Pro Forma
Revenue	\$127.4	\$62.6	\$189.9
Cost of Revenue	(126.1)	(25.8)	(152.0)
Gross Margin	1.2	36.7	38.0
Gross Margin (%)	1%	59%	20%
Reclass labor expense to Cost of Revenue*	--	\$4.3	\$4.3
Pro Forma Cost of Sales	--	(30.1)	(156.2)
Pro Forma Gross Margin	1.2	32.4	33.7
Pro Forma Gross Margin (%)	1%	52%	18%

Source: Stem 8-K/A, April 15, 2022.

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

# Reconciliation of Non-GAAP and Pro-Forma Financials

Three Months ended March 31st		
\$ millions unless otherwise noted		
	2022	2021
Revenue	\$41.1	\$15.4
Cost of Revenue	(37.4)	(15.5)
GAAP Gross Margin	3.6	(0.1)
GAAP Gross Margin (%)	9%	(1)%
Adjustments to Gross Margin		
Amortization of Capitalized Software	\$2.0	\$1.2
Impairments	0.8	0.9
Non-GAAP Gross Margin	6.4	2.0
Non-GAAP Gross Margin (%)	16%	13%
Other Adjustments*	0.7	0.9
Labor Expense in Cost of Revenue**	1.5	--
Pro Forma Gross Margin	8.6	2.9
Pro Forma Gross Margin %	21%	19%

\* We define non-GAAP gross margin as gross margin excluding amortization of capitalized software and impairments related to decommissioning of end-of-life systems. Prior to 1Q 2022, "Other Adjustments" reclassified data communication and cloud production expenses from cost of revenue to operating expenses.

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

# Supplemental AlsoEnergy Financial Detail

Three Months ended  
March 31, 2022

*\$ millions unless otherwise noted*

Hardware Revenue	\$4.8
Services Revenue	4.8
Total Revenue	9.6
GAAP Gross Margin	3.6
GAAP Gross Margin (%)	37%
Labor Expense in Cost of Sales*	1.5
Goodwill Amortization	0.7
Pro Forma Gross Margin	5.8
Pro Forma Gross Margin (%)	60%



# Reconciliation of Net Loss to Adjusted EBITDA

Three Months ended  
March 31

<i>\$ thousands</i>	2022	2021
Net loss	\$(22,483)	\$(82,553)
Adjusted to exclude the following:		
Depreciation and amortization	8,896	6,012
Interest expense	3,218	6,233
Stock-based compensation	6,265	760
Change in fair value of warrants	--	66,397
Transaction costs in connection with business combination	6,068	--
Litigation settlement	400	--
Provision for income taxes	(15,213)	--
Adjusted EBITDA	\$(12,849)	\$(3,151)

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"> <li>• Customer contracts are typically executed 6-18 months ahead of installation</li> <li>• Booking amount typically includes:               <ol style="list-style-type: none"> <li>1) Hardware revenue, which is typically recognized at delivery of system to customer,</li> <li>2) Software revenue, which represents total nominal software contract value recognized ratably over the contract period,</li> </ol> </li> <li>• Market participation revenue is excluded from booking value</li> </ul>
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"> <li>• Backlog increases as new contracts are executed (bookings)</li> <li>• Backlog decreases as integrated storage systems are delivered and recognized as revenue</li> </ul>
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"> <li>• Total Hardware Revenues = Total Deliveries (kWh) x Project Hardware ASP (\$/kWh)</li> <li>• ASP / margin based on value added services including hardware selection, project design and interconnection / permitting advisory and warranty design and compliance</li> </ul>
Software Revenue	<p>Recurring SaaS payment driven by storage assets under management (AUM)</p> <ul style="list-style-type: none"> <li>• Total Software (Recurring) Revenues = Total AUM (kWh) x Software subscription (\$/kWh/month)</li> <li>• SaaS contracts range up to 20 years comprising recurring monthly payments</li> </ul>
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"> <li>• Total Software (Variable) Revenues = Total AUM (kWh) x Stem's Market Participation Revenues (\$/kWh)</li> </ul>



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