Wallbox N.V. Fourth Quarter 2023
Earnings Call Prepared Remarks

Matthew Tractenberg
Vice President, Investor Relations

SLIDE 1: Title Slide

Thank you Charlie, and good morning, and good afternoon to everyone listening in. Thank you for joining today's webcast to discuss Wallbox's fourth quarter and full year 2023 results. This event is being broadcast over the web and can be accessed from the Investor section of our website at investors.wallbox.com.

SLIDE 2: Participants

I am joined today by Enric Asunción, Wallbox's CEO, and Jordi Lainz, our CFO. Earlier today, we issued our press release announcing results from the fourth quarter and year ended December 31st, 2023, which can also be found on our website.

SLIDE 3: Legal Disclaimer & Forward Looking Statements

Before we begin, I'd like to remind everyone that certain statements made on today's call are forward-looking, that may be subject to risks and uncertainties relating to future events and/or the future financial performance of the company. Actual results could differ materially from those anticipated.

The risk factors that may affect results are detailed in the company's most recent public filings with the SEC, including in the Annual Report on Form 20-F for the fiscal year ended December 31, 2022 filed on March 31, 2023

We will be presenting unaudited financial statements in IFRS format that reflect management's best assessment of actual results. Also, please note that we use certain non-IFRS financial measures on this call and reconciliations of these measures are included in the presentation posted on the Investor section of our website.

Also, a copy of these prepared remarks can be obtained from the investor relations website, under the Quarterly Results section, so you can more easily follow along with us today.

So with that out of the way, I'll turn it over to Enric.

Enric Asunción
Chief Executive Officer

SLIDE 4: What We'll Cover Today

Thank you, Matt, and thanks everyone for joining us today. In addition to reviewing highlights from the full year and fourth quarter 2023, we'll spend some time discussing the current EV market and our position in it. We'll also dig into the Generac announcement from December and why we're so excited about joining forces. Jordi will review our cost reduction achievements. He'll offer some additional color on our quarterly financial performance, and share some thoughts on our balance sheet as we prepare for a new year. And finally, I'll return to discuss our view of the market and what we're focused on in 2024. We will end by taking questions from our covering research analysts, so let's get started.

SLIDE 5: 2023 Highlights

2023 was a busy year for us, with some challenges driving both reflection and action, as well as exciting milestones and celebration. Revenue for the full-year totaled €143.8 million, essentially flat from the prior year. This was a result of a softer demand environment than many anticipated paired with corresponding inventory adjustments by our channel partners. While the EV adoption curve is in the process of crossing the chasm and moving from early adopters to mainstream, these items drove variability in our forecasts and results. And although those disruptions made for a challenging year, we focused on executing our long-term strategic plan, and achieved several outstanding milestones. We delivered 166,000 AC units, and more than 1,400 DC units during the year. A solid outcome. We launched exciting new products, streamlined our cost base to accelerate our path to profitability, and forged meaningful new partnerships with global brands including Generac, Costco, Kia, and Free2Move. We acquired an industry leader in ABL, placing us at the forefront of the largest EV market in Europe, and we raised almost €143 million of cash through debt and equity financing. It was a year of efficiency and innovation, of operational improvements, of cost reductions, and it has set us up extremely well for a successful 2024.

SLIDE 6: Q4 2023 Highlights

Turning to the quarter, revenue came in within our expected range at €43.3 million, up almost 34% from the year ago period, driven by both organic and inorganic growth. ABL contributed €6 million of inorganic revenue as anticipated. Organic growth was once again a result of strong performance from our DC offering, with sales growth of almost 150% year over year. Our AC portfolio saw some moderate destocking in Europe and North America, but AC unit growth was almost 38% quarter over quarter in Europe, on a sell-in basis, which we view as a positive sign for the region. Sell-through was healthy as well and points towards continued growth. In total, we delivered almost 44,000 AC units globally, including ABL, and almost 500 units of DC during the period.

Gross margins were 32.8% in the fourth quarter, impacted by product mix shift, and warranty and obsolescence costs. We continue to believe that through cost engineering, changes to our product mix, and strategic sourcing, gross margins in the mid-term can return to the 38 to 40% range. We will work very hard to implement actions in 2024 to achieve this.

Our cost reduction program in 2023 was front and center, and allowed us to reduce Wallbox's quarterly cash expenses by an additional €4.8 million sequentially. We are proud to announce that we have exceeded the original €50 million reduction target previously discussed, and have achieved a total reduction of more than €60 million in 2023. Jordi will spend more time on that in a minute.

Fourth quarter adjusted EBITDA loss was €14.7 million on a consolidated basis, which includes the impact of ABL, representing year-over-year improvement of 54%. Due to the timing of the transaction and integration, ABL brought with it one month of sales and two months of costs. Excluding ABL, Wallbox stand-alone adjusted EBITDA loss was €11.9 million in the quarter, representing a 63% improvement from Q4 of 2022. We continue to be focused on achieving positive adjusted EBITDA in the June quarter and look forward to celebrating that important milestone with you on the Q2 call.

Slide 7: Q4 at a Glance - Geography

For the fourth quarter 2023, Europe contributed €34.3 million of consolidated sales, or 79% of total revenue. North America contributed €6.4 million or 15%, APAC was €1.5 million or 4%, and LATAM was €1 million or 2%. These mix shifts were largely driven by the addition of ABL, whose sales are entirely in the EMEA region.

Slide 8: Q4 at a Glance - Product

AC sales of €26.5 million represented approximately 61% of our global consolidated revenue, down 7 percentage points driven by strength from our DC offering. Supernova 150, our second generation DC fast charger continues to see strong reception from customers, and drove the DC revenue contribution to 27%, up 12 percentage points. Software, services, and accessories contributed the remaining 11%. 2023 saw numerous new, large customers including Iberdrola, Atlante, Powy, Osprey, and BeCharge. In November, we announced that Atlante, which recently was selected to receive a €49.9 million grant from the EU, aims to install 5,000 fast-charging points by 2025 and over 35,000 points by 2030 across Spain, Italy, France, and Portugal. And they've chosen Wallbox as a preferred partner in the project due to our production capacity and high-quality, innovative offering.

Margins continue to be impacted by product mix, which we expect to ease as we make our way through 2024. To provide color, approximately 60% of DC units sold in the quarter were Supernova 150, similar to last quarter. Recall that while the 150 brings a higher gross margin profile than Supernova 60, our first generation product, it's still lower than AC. So in time, as that mix shift continues, and the cost profile of the new product declines, we anticipate that impact to lessen.

Slide 9: Generac

Generac is one of the most well respected names in the energy transition space. The transaction is one of the most exciting and impactful events in our history, and has the power to accelerate our commercial presence in North America at a critical time, while opening important global opportunities for both companies. The announcement included a $31.6 million strategic investment led by Generac, and an upcoming commercial agreement. The minority investment was completed at a price of $3.05 per share, highlighting the inherent value both companies see, and includes a seat on Wallbox's board of directors.

Through the execution of the commercial relationship, Generac will offer its customers our full suite of EV charging solutions, including Pulsar Plus for residential, Pulsar Pro for commercial and multi tenant applications, our bidirectional charger Quasar 2, and our DC fast charger, Supernova, as well as installation services through COIL. Generac's 60-plus years of experience distributing energy resilience devices and its extensive network of over 8,700 dealers will be a strategic addition to Wallbox's distribution network in the US. Their European brand Pramac will offer DC fast chargers through their energy storage sales network in some selected markets, strengthening the offering for Commercial and Industrial customers. In turn, our strong relationships with tier one utilities and OEMs will open new doors.

Slide 10: Generac- Quasar 2

Bi-directional charging enabled by Quasar 2 will be extremely important to both companies. Providing EV owners independence and security against outages, while saving money and tapping renewable sources, is quickly becoming a reality. And giving utilities access to a vast network of stored energy during peak load times will allow huge populations to balance demand with supply, removing the need for new investment in power generation. Governments are starting to see the light and it is remarkable to watch. It has the unique ability to change the way we store and consume energy. Together, we plan on bringing that solution to market in 2024…so look for it.

We're also exploring new architectures that adapt to the needs of applications in environments that lack the necessary power. Pairing a Supernova with battery storage from Generac has the potential to reduce reliance on the grid, reduce installation costs and utility requirements, and accelerate time to market. That's just one of numerous new configurations given the combined capabilities we have. It's exciting to watch and I think customers will like what they see.

We look forward to collaborating with their leadership team, aligning product roadmaps, and aggressively competing in the global marketplace. The combination will be unstoppable.

SLIDE 11: Market Overview

I want to spend a moment discussing the markets which we operate in.

As you know, there is a high correlation of sales of our AC products to EV deliveries. Deliveries have been lumpy based on geography in 2023, and price actions and commentary by large OEMs have created some noise.

There were almost 13.6 million EVs sold globally in 2023. RhoMotion forecasts global EV deliveries are set to reach 18 million units in 2024, representing growth of more than 32% year over year. To OEMs spending billions on new factories and developing new models, that number might be disappointing. To us, these continue to present attractive opportunities.

There are a number of elements that we see as key to driving continued adoption, including…

- The success of new models, like Kia's EV9 and Nissan's Ariya,

- Innovative technological breakthroughs that improve range and quality,
- Accessible and reliable public charging infrastructure, which we expect Wallbox will be a major driver of,
- Economies of scale, which will help bring down vehicle cost and improve industry margins,
- and continued financial incentives for EV buyers to bring price parity with ICE vehicles.

We believe that early adopters are fully bought into the value proposition of EVs. The air pocket you are reading about in the media is a function of where we are on the adoption curve. It's understandable and expected in any large scale technology adoption and we are prepared and well positioned to exit the current environment stronger than we entered, and well ahead of the competition.

Jordi, I'll turn it over to you to comment further on our financial details.

Jordi Lainz
Chief Financial Officer

SLIDE 12: FINANCIAL REVIEW - HIGHLIGHTS
Thank you, Enric. Good morning and good afternoon to everyone.

Our fourth quarter results came in as anticipated, driven by strong DC sales, stability within European AC demand, and contribution from ABL. Margins were softer than expected, but we have identified a remediation plan and intend to make improvement throughout the remainder of the year. Cost controls continue to yield solid results, and additional opportunities may present themselves in 2024. I'll provide more detail on these results and share some thoughts on the upcoming year.

For the fourth quarter 2023, revenue was €43.3 million, up 33% sequentially and up 34% year over year. On a year-over-year basis, total revenue increased in both DC fast charging and AC, the latter a result of the channel destocking discussed on previous calls.

Consolidated gross margin for the quarter was 32.8% and were impacted by continued product mix shifts, and the timing of warranty and obsolescence charges.

We were able to further reduce both employee related cash expenses and opex, which amounted to €28.4 million in the period, excluding ABL. I want to thank all Wallboxers for their dedication and commitment to this initiative. It's taken everyone together to reach this target, and we appreciate what you've helped us achieve. Going forward, including ABL, we anticipate both employee benefit, or payroll expenses, and opex combined, to be approximately €30 million per quarter. This, when paired with the gross margin improvement plan we've implemented, is expected to allow us to achieve positive adjusted EBITDA in the second quarter and full year 2024. We commit to shareholders to keep this initiative in focus as we re-accelerate growth.

Consolidated adjusted EBITDA loss for the quarter, including ABL, was €14.7 million, representing a 54% improvement over the prior year quarter. On a stand alone basis, excluding ABL, we were able to reduce our adjusted EBITDA loss by 28% from the previous quarter and 63% from the prior year period. We remain extremely focused on costs and conserving cash, and have seen tangible benefits of those efforts.

Slide 13: SUCCESS ON KEY FINANCIAL METRICS

Here you see the three main metrics we have been focused on over the last year. Revenue, costs, and the resulting adjusted EBITDA. As you can see, cash personnel costs have been reduced from €23 million to €19 million, and cash opex has gone from €27 million to €9 million. Combined, this represents a 44% reduction to Wallbox's cash costs, excluding ABL. We've made exceptional progress against our goals, the trends are all moving in the right direction, and with ABL bringing increased revenue at a reasonable cost base, we believe profitability is within reach. The trends you see here should continue in 2024.

SLIDE 14: FINANCIAL REVIEW - KEY FINANCIAL METRICS

The financing events in 2023 paired with the aggressive cost reductions we went after allowed us to end December with approximately €107 million of cash, cash equivalents, and financial instruments. Long-term debt was approximately €81 million at the end of the year.

We did not utilize the ATM during the fourth period as we continue to believe that our current stock price is not reflective of the shareholder value we are creating.

Capex, excluding capitalized R&D, was again very light, with €4.6 million in the fourth quarter, with €3.4 million of that spent on Property Plant and Equipment. For the full year, we spent €16.2 million in 2023 vs €46 million in 2022 after opening two new factories. I'm pleased with our ability to quickly adjust the spend levels with the current demand environment, as evidenced by the gap vs our original €26 million target for 2023.

Inventory reduction is another initiative we made significant progress on, with Wallbox levels falling by 11% or more than €10 million from the third quarter, and ended the year at €83.9 million. ABL brought €8.6 million of inventory which is an appropriate amount given their projections. Our goal is to continue to bring total inventory down by the end of the year. This will also contribute meaningfully to reducing our cash burn rate.

Full-time headcount, excluding ABL, decreased by 82 people or 7% on a quarter over quarter basis. We are slightly above the level reached in Q1 of 2022 and may see the number come down in specific areas. ABL brought with it 291 people.

Enric, I'll turn it back to you to provide some closing commentary.

Enric Asunción
Chief Executive Officer

SLIDE 15: Closing Thoughts
Thanks Jordi,

I'm optimistic as we enter 2024. We've worked very hard to position ourselves well for the upcoming year.

Our growth will be fueled by new products like Pulsar Pro, Pulsar Socket, Supernova 240 in Europe, or 180 in the US. By Quasar 2 with Kia and Generac.

ABL's strong offering and our ability to cross sell both their products to our customers, and our products to theirs, will contribute meaningfully.

It will be fueled by Wallbox's products sold through Generac's extensive distribution network.

And it will be fueled by new partnerships with leading brands like Atlante, Free2Move, Costco, and Kia.

Our gross margins will be improved through cost engineering of existing products. By better leveraging ARES and their capabilities. By continued vertical integration of key components, and by more strategic sourcing and price negotiations.

Our personnel and operating costs will continue to be optimized through disciplined controls and headcount management.

As a result of these things, 2024 will be a year in which Wallbox achieves profitability. An important milestone in our history.

And while much of our investment in infrastructure is complete, reducing the need for additional capex, we will explore opportunities to further rationalize our global footprint, leveraging efficiencies and cost benefits.

We will also continue to reduce inventories by utilizing common components across multiple platforms, strategic vendor management, and leveraging growth.

For these reasons, positive free cash flow is within reach, which will set us apart from competitors and highlight the resiliency of our business model.

And we will allocate that capital to the highest-return projects, including M&A, new product innovation, and capturing market share.

In summary, meaningfully growing revenues through both organic and inorganic means, new products, and big commercial partnerships, while improving gross margins, all off of a lower operating expense base, while conserving cash, will create significant value for shareholders this year. That's our plan and we’re aggressively executing it.

To the shareholders, partners, and employees who have trusted and believed in us, we thank you and we’re grateful to have you with us. We will work hard to ensure you are rewarded.

With that, we’re ready to take questions from our analysts.
