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Q1 2024 Gogoro Inc Earnings Call

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## PRESENTATION

### Operator

Welcome to the Gogoro Inc. 2024 Q1 Earnings Call. This conference call is now being recorded and broadcast live over the Internet. Webcast replay will be available within an hour after the conference is finished.

I'd like to turn the call over to the Gogoro team.

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### **Anny Liao** *Gogoro Inc - Investor Relations*

Welcome to Gogoro's 2024 Q1 Earnings Conference Call, hosted by our CEO, Horace Luke; and CFO, Bruce Aitken. Hopefully by now, you've seen our earnings release. If you haven't, it is available on the Investor Relations tab of our website, [investor.gogoro.com](https://investor.gogoro.com). We are hosting our earnings conference call via live webcast through Gogoro's website, where you can also download all the earnings release materials. We will also be displaying the materials on the webcast screen as we go.

If you are joining us through the conference call, your dial-in lines are in listen only mode. After Horace provides some of the business highlights from Q1, Bruce will go a bit deeper into the Q1 financial results, and then we'll open the line for Q&A and answer as many questions as time allows.

As usual, we would like to remind everyone that today's discussion may contain forward-looking statements that are subject to risks and uncertainties which could cause actual results to differ materially from those contained in the forward-looking statements. Please refer to the forward-looking statements that appear in our press release and the investor presentation provided today.

And now, I would like to turn the call over to Horace.

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### **Horace Luke** *Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder*

Thanks for joining our call today. We're pleased to have this opportunity to meet with you and provide a summary of our first quarter 2024 results.

Gogoro's mission has always been to change the world via innovation, so I'm especially pleased and proud of the entire Gogoro team for contributing to the development of technology and products which resulted in Fast Company naming Gogoro The Most Innovative Company in the Asia Pacific and the Number 37 Most Innovative Company in the World. This is another major recognition after MIT Technology Review, naming Gogoro as one of the 15 Climate Tech Companies to Watch in 2023.

We are focused on the long-term impact of our technology and our innovation, while we also focus on growing key financial metrics for both Taiwan and international markets. In order to facilitate that growth, we've always indicated that we plan to expand via a more asset-light business model, which allows Gogoro to work with many different local infrastructure owners and diversify capital risk in each location.

In Taiwan today, due to the availability of low-cost bank debt and the need to have to proof-of-concept network fully operational at scale, we own all battery packs and most of the GoStation infrastructure, which makes up the Gogoro network in Taiwan. With the announcement we just made last week related to the non-binding Memorandum of Understanding with Sumitomo Corporation and Sumitomo Mitsui Finance and Leasing Company Limited, those plans and that asset-light business model takes a huge step toward

being realized.

Expansions into large regions like India and Southeast Asia will require scale greater than that of Taiwan. Sumitomo, who has been a shareholder since we were a private company, is well positioned to aid in that expansion. And with the support and the financial backing of Sumitomo Mitsui Financing and Leasing Company, we'll be able to make even greater strides towards achieving launch at scale in new markets. This is a partnership long in the making, and we're excited to continue to work with Sumitomo and SMFL.

Q1 was a busy quarter. We launched two new vehicles. Our market-leading Pulse vehicle shows what is possible in a smart scooter that is connected and interactive. And Jego is an affordable easy-to-ride vehicle, which is attracting new-to-EV customers. The two newly launched vehicle also represent two brand-new vehicle platforms on which we can build additional future vehicles upon.

Our Jego vehicle launch in Q1 exceeded expectations for orders. We have more than 5,000 backlog orders for Jego, with approximately \$8.6 million in revenue associated with these orders. These are orders where we have received full payment from customers or approved financing from third-party financing companies, and we'll recognize that revenue when vehicles are registered and delivered to customers, as is our normal practice. This means the Taiwan government-published statistics, which only indicates actual vehicle registrations, are substantially lower than that of our actual order received. Catching up on delivery of these vehicles over the next couple of months is a focus for us, and we're slightly delayed in delivering vehicles to customers due to suppliers' capacity constraints. While customers can cancel these orders, we typically have a very small cancellation rate between order and delivery.

Jego is attracting new customers to Gogoro as it is an affordable but feature-rich vehicle and includes a fresh, brand-new body design. MSRP is around TWD59,000 or about USD1,800. And if a customer can take advantage of all the central and local government subsidies, it can be as low as USD680.

Additionally, we have launched a new promotional battery swapping subscription plan, starting at TWD199 or approximately \$6.25 per month for approximately 500 kilometer of range. And if a customer is willing to prepay for a 36-month commitment, they can ride approximately 1,000 kilometer, making this our most affordable subscription option to date. This is a limited-time battery swapping subscription plan to encourage everyone to make the switch to clean green electric mobility.

Jego's initial sales showed the strongest demand for new smart scooter since the pandemic began, with the majority of customers being first-time EV buyers. Orders in April continue to keep pace with the Q1 quantities. We now have over 6,500 total backorders. These orders will be included in the Taiwan registration data when the vehicles are registered, and Gogoro will account for the revenue of these vehicles upon customer delivery.

We also launched our brand-new flagship smart scooter, Pulse. And similarly to Jego, we have already received a substantial quantity of backlog orders. These vehicles will start to deliver in late Q2, and revenue will be recognized as deliveries occur. The Pulse showcases our dedication to performance, innovation, and design, setting a new benchmark for advanced high-performance smart scooter with, among other features, a hybrid air- and liquid-cooled 9-kilowatt motor, a 10.25-inch panoramic HD touch digital display, and then incorporates Qualcomm's latest QWM2290 Snapdragon Digital Chassis to drive Gogoro's latest digital experience and services. This vehicle's MSRP of approximately TWD110,000 or approximately USD3,500 creates an opportunity for a superb riding experience at a very competitive price.

At first look, vehicle registration for both ICE and electric vehicle appears down dramatically in Q1 based on Taiwan government's data, but that isn't really the complete story. In the Taiwan market, in Q1 2024, according to the Ministry of Transportation, the total number of registered electric scooter in Q1 in Taiwan was 10,211 units, down 39% from 16,741 in Q1 2023. If all of the approximately 5,300 Jego backlog orders have been delivered in Q1, the total market drop would have been a smaller 8.3%, and the electric power two-wheel would have slightly outperformed the broader market with only a 7.5% drop. We believe the ongoing excitement associated with our new vehicle models keeps us on track to a target of approximately 10% of total Taiwan's volume this year.

Gogoro and total powered by Gogoro network vehicles registration figures were 7,321 and 8,240 respectively. Excluding Jego backlog orders, we have powered by Gogoro network vehicles representing 80.7% of total EV sales in Q1. Q1 is always our seasonally lowest

revenue and units quarter. While first quarter revenue was lower than that in previous years, we believe that typical seasonal volumes re-increases in the remainder of the year, as well as the volume of orders for Jego that are yet to be delivered, and the preorders of the Pulse, allow us to remain confident in these forecasts.

The Gogoro network continues to show strong retention, as well as solid revenue and subscriber growth. We closed the quarter with 596,000 subscribers and \$32.5 million in battery swapping revenues, an increase of 0.6% from Q1 2023. We do expect faster growth in our battery swapping subscription business in Q2 as we begin to deliver larger quantities of the Jego backorders. We added 39 Gogoro quick service centers in Q1 and continued to expand our services and sales footprint around Taiwan.

In April, we were pleased to collaborate with TSMC once again, extending the collaboration we launched with TSMC in Taichung in 2022, now to Hsinchu. Together, we announced three mobility initiatives. These include the launch of 15 new GoStations, powered 100% by clean energy; the introduction of Gogoro's GoShare services; and the expansion of Gogoro network in Hsinchu City, home to TSMC headquarters. These initiatives underscore our dedication to advancing Taiwan's focus on clean energy. Together, we aim to encourage the adoption of clean energy through the deployment of GoShare vehicles and green energy battery swapping stations nationwide. Our goal is for the public to embrace zero-carbon transportation for their daily commutes, fostering positive impactful change together.

GoShare continued to grow across Taiwan based on its unique battery swapping business model, which enables a higher per-vehicle utilization and less operating cost to charge or replace batteries, and consequently an improvement in the bottom-line performance. This system and business model are primed for international expansion into selected markets.

International markets and expansion continue to be an important strategy for us long term. In India, our battery pack factory equipment installation in Pune continues. Having this factory in India is a required precursor to ramping larger volumes of sales in India, as a locally sourced and manufactured battery pack is necessary to gain access to government initiatives and incentive programs like FAME II. We continue to anticipate completion of the factory and initial testing of battery packs to be complete in late Q2 or early Q3, with manufacturing capability online in Q3.

Equally critical is having the right partner in India, B2B fleet operators and demand generators, partners with location to place GoStation as we ramp and grow in India and into other cities, as well as partners who will help us grow in an asset-light business model. These partnerships takes time to develop, but we're making good progress, as indicated by our recent MOU with HPCL and our very recent MOU announcement with both Sumitomo Corporation and Sumitomo Mitsui Finance and Leasing Company, SMFL. Large philosophically aligned partnerships set the stage for growth in India and Southeast Asia.

A critical component of our global expansion strategy, which we're now rolling out in India, is the enabling of other OEMs to develop vehicles which are powered by Gogoro technology and uses to Gogoro's battery swapping solution. Leveraging all of the smart battery technology and wireless connectivity we have built into our own smart batteries, we have developed a simple kit of components, ranging from an e-tech up to a more capable set of electronics which allow any existing motor to be powered by Gogoro smart battery packs. We're actively working with a number of local Indian electric vehicle OEMs who see the possibility for battery swapping to better meet the needs of their B2B customers and broaden their portfolio of products.

Working directly with these local OEMs allow for the development of a number of different vehicle types across a broad range of price points, which can more broadly service the overall market needs. This is similar to the powered by Gogoro network strategy we have deployed in Taiwan, which allow consumers to choose the right vehicle amongst the more than 50 alternatives that exist: one-battery vehicle, two-battery vehicles, and even larger four-battery-powered three-wheelers. We expect to see India OEM PBGN vehicles in the second half of 2024.

In late April, Gogoro and Nebula Energy announced the launch of Gogoro battery swapping services and unveiled a Gogoro CrossOver GX250 smart scooter in Nepal. The announcement took place in Kathmandu, where the first battery swapping station is located. Nebula is Gogoro's authorized and exclusive partners in Nepal. Initially, Gogoro battery swapping will be available to B2B customers in Kathmandu, with plans to offer it to consumers later this year. This expansion into Nepal follows our commercialization effort in India, utilizing the new India-made CrossOver GX250 smart scooter. Nebula intends to deploy a battery swapping station every two to three

kilometer in Kathmandu Valley and will offer Gogoro smart scooter to consumer retail locations later this year. This partnership aligns with our India strategy, leveraging our India-based manufacturing capabilities to introduce the CrossOver series and other forthcoming vehicles to the region.

Gogoro Philippines unveiled its Pulse smart scooter at the Makati Motor Show this April, marking a significant addition to our vehicle lineup. This cutting edge vehicle will be available for purchase in the Philippines by late June, complementing our existing range of offerings in the Philippines. As we look ahead to the second half of 2024, we're excited to introduce lower-cost vehicles and an energy plan aimed to reducing barrier to entry and driving mass-market adoption of electric two-wheelers.

In light of recent announcement by the Metro Manila Development Authority regarding the use of e-bikes on the road, it is important to clarify that Gogoro Philippines remain unaffected. All our vehicles are locally certified and registered as L1 or L3. Our L3 models require a traditional motorcycle license for operation and can be used anywhere in the country, except on paid tollways. Meanwhile, our L1 model, while not requiring a license, will be fully registered with the MMDA and other national agencies, underscoring our commitment to promoting road safety and compliance.

We are thrilled to report continued high foot traffic in our Makati experience center, with a notable demand for our premium scooters, particularly the Gogoro Premium. With over 10 live GoStation sites and numerous more in development, riders in Manila are increasingly confident to swapping Go across the city, laying the groundwork for scale with our lower-cost units in the Philippines. This momentum is set to surge further with vehicle financing plans to be introduced soon, providing consumers with flexible and competitive payment plans for Gogoro smart scooter.

Sales of hardware to South Korea partners and the growth of Gogoro network in South Korea continues. And we continue to investigate and assess other markets for opportunities.

With that high-level overview of our Q1 results, I'd like to now invite Bruce to provide a more detailed update on our Q1 financials.

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**Bruce Aitken Gogoro Inc - Chief Financial Officer**

Thanks for the business updates, Horace. Q1 is really a tale of two sets of figures. On an IFRS. basis, revenue, gross margin, and net loss are challenged. But at an operational level, we are on track to our expectations for 2024. I'll explain a bit more about some of the critical numbers.

For the first quarter, total revenue was \$69.7 million, down 12.1% year over year and down 9% year over year on a constant currency basis. Had foreign exchange rates remained constant with the average rate of the same quarter last year, revenue would have been up by an additional \$2.4 million.

We had more than 5,000 backlog orders for Jego in the first quarter, with a total value of approximately \$8.6 million. Customers have the right to cancel these orders prior to delivery, and the large quantity of backlog orders is primarily the result of robust demand for Jego, coupled with the need to balance manufacturing capacity across multiple vehicles and the need to balance our supply chain accordingly.

Battery swapping service revenue for the first quarter was \$32.5 million, up 0.6% year over year and up 4.1% year over year on a constant currency basis. Total subscribers at the end of the first quarter exceeded 595,000, up 10.6% from 538,000 subscribers at the end of the same quarter last year.

We provided rebates to some customers in the first quarter of 2024, associated with minor vehicle recall and battery upgrades. Such rebates totaled \$1.7 million and were accounted for as contra revenue. The year-over-year increase in battery swapping service revenue was primarily due to our larger subscriber base compared to the same quarter last year, and the high retention rate of our subscribers.

Sales of hardware and other revenues for the quarter were \$37.2 million, down 20.8% year over year, and down 18.1% year over year on a constant currency basis. The Jego backlog orders we received are not reflected in the vehicle registration data published by the Taiwan

government for the first quarter, nor did Gogoro recognize any revenue for these vehicles, despite receiving full payment from customers or approved financing from third-party financing companies. Gogoro will account for the vehicle revenue upon delivery to customers.

The government-reported registration volume of powered two-wheelers in the Taiwan market in the first quarter was down 11.2% year over year, while registrations of electric-powered two-wheelers were reported to be down by 39% compared to the same quarter last year. Had we delivered the outstanding orders of Jego, electric-powered two-wheel registrations would have declined by 7.5% instead, representing a smaller decline compared to the overall power two-wheel market.

Taiwan's two largest power two-wheel manufacturers are publicly estimating that the total market will shrink by 14% from last year's 870,000 units to around 750,000 units in 2024. Gogoro continues to believe that the total volume of electric-powered two-wheelers in Taiwan will see growth in 2024 as a result of the introduction of our new vehicle models and the ongoing consumer transition from traditional internal combustion engine vehicles to electric-powered two-wheelers.

For the first quarter, gross margin was 6.4%, down from 12.9% in the same quarter last year, while non-IFRS gross margin was 13.3%, down from 13.7% in the same quarter last year. Such declines were primarily driven by a combination of factors. First, a \$2.8 million derecognition expense on components we removed from battery packs, and retrieval costs associated with our battery upgrade initiatives. Second, a \$1.7 million voluntary one-time battery swapping service rebate that was accounted for as contra revenue. And third, a \$0.8 million increase in depreciation and other costs associated with our new overseas production facilities. These impacts, when combined, account for the 6.5% decline in gross margin. Both declines in gross margin and non-IFRS gross margin were primarily offset by cost efficiencies generated from our continuous improvement in operational efficiency in Gogoro's battery swapping services.

We are carrying out one-time voluntary upgrades on certain battery packs, which are expected to take several quarters to complete. These upgrades provide multiple benefits: reduction of capital expenditures on replacing battery packs; increasing lifetime capacity of each battery pack, including extending its first mobility use-case useful life; and solidifying the extra lifetime capacity of each battery pack to validate our second life thesis. These upgrades are expected to create economic benefits in the long term but do come at a short-term reduction in our gross margin as we carry out the upgrades. We expect our IFRS gross margin will continue to be impacted during our upgrades planned in 2024 and 2025. The upgrades will impact both our cash position and profit. We will only upgrade battery packs in instances where the value created over time exceeds the cost of the upgrade.

For the first quarter, net loss was \$13.1 million, representing a decrease of \$27.5 million from a net loss of \$40.6 million in the same quarter last year. The decrease in net loss was due to a favorable change of \$31.7 million in the fair value of financial liabilities associated with outstanding earn-out shares, earn-in shares, and warrants compared to the same quarter last year as a result of the decrease of Gogoro's stock price and the decrease of \$2.7 million in operating expenses, which was partially offset by the decrease of \$5.8 million in gross profit.

For the first quarter, adjusted EBITDA was \$9 million, representing a decrease of \$1.6 million from \$10.6 million in the same quarter last year. The decrease was primarily due to a \$1.6 million decrease in non-IFRS gross profit compared to the same quarter last year. That \$1.6 million decrease in non-IFRS gross profit was a result of the cumulative effect of all of the factors mentioned above.

With a \$132.5 million cash balance at the end of the first quarter of 2024 and the additional credit facilities that are available to us, we believe we have sufficient sources of funding to meet our near-term business growth objectives. For the full year of 2024, we continue to expect to generate revenue of between \$385 million and \$420 million dollars. While our first quarter revenue was lower than that in previous years, we believe that the typical seasonal volume increases in the remainder of this year, as well as the volume of backlog orders for Jego that are yet to be delivered, and preorders for our Pulse vehicle, allow us to remain confident in these forecasts.

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## QUESTIONS AND ANSWERS

### **Anny Liao Gogoro Inc - Investor Relations**

Thank you, Horace and Bruce, for the detailed updates. As attendees are formulating their questions, I will ask two questions that we have collected from analysts. Question one, can you provide an update on the latest progress in India?

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**Horace Luke Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder**

Sure. Thanks, Anny. There are three things we're focused on in India: getting our battery factory ready, getting vehicles ready, and establishing strong solid partnerships. We continue to build out our battery factory in Pune, we began fill out of an empty shell, and since then, we have created a world-class battery pack factory. All the equipment has been received and is installed. We are working to qualify all equipment and complete all aspects of finalization of the factory, including all necessary government approvals. We expect to be ready to ship battery packs beginning in Q3. Having locally made batteries is an important part of the puzzle, because only with locally manufactured battery packs can any vehicle qualify for government incentives.

On the vehicle side of things, we're working on two initiatives. We're enabling our OEMs in India to develop vehicles using Gogoro technologies and battery swapping solution. Our kit of components allows existing motor to be powered by Gogoro smart batteries, offering flexibility and customization for local Indian electric vehicle OEMs. These vehicles are compatible with our network and will take advantage of all the benefits of the Gogoro ecosystem, whether riding data, battery utilization, life optimization data, and other data.

This approach is consistent with our successful Taiwan powered by Gogoro network program, where we now have over 50 different vehicle types available to the local market, ranging from small affordable single-battery-powered vehicle to large three-wheeled transport vehicles, which are powered by four batteries. Any form factor, any motor size, any price point.

In India, we work with a variety of OEM to enable a similar business model and expect to see Indian PBGM vehicles in the second half of 2024. Our own vehicle, the GX250, has helped us create a local supply chain. It is specifically built for high mileage per day use case, where ruggedness and safety are important. We can also export these vehicles, as you have recently seen with us doing to Nepal to initiate service there. Indian manufacturing can act as a hub for other parts of South Asia as well. As the battery factory comes online, we'll be able to ramp up vehicle sales.

On the partnership front, we continue to work with B2B fleet operators and demand generators and partners like HPCL, which is India's second-largest gasoline station company. We have now location to place GoStation as we grow in Delhi, as well as partners who help us grow an asset-light business model. Our very recent MOU announcement with both Sumitomo Corporation and Sumitomo Mitsui Finance and Leasing Company, otherwise known as SMFL, sets the stage for expansion into India.

**Anny Liao Gogoro Inc - Investor Relations**

Thanks, Horace. Question number two, can you provide some color and implications on margin for this year?

**Bruce Aitken Gogoro Inc - Chief Financial Officer**

As everyone I think knows, external market conditions continue to be challenging. All we can do and what we're focused on is controlling the things we can control, so we're engaging in measured spending and really trying to ensure we're efficient in our spending. We're balancing those savings against wise investments that we believe will drive revenue growth over time. Those can be in the form of product R&D, could be investments in brand-building, or other investments.

And with the launch of our two new vehicles in Q1, the Pulse and the Jego, what we've demonstrated is a willingness to spend to create a great driving experience for our customers and a great overall swapping experience for our customers as well. So far, the market response has been positive to both of those vehicle launches, and we're encouraged by that. Those backorders, as we mentioned during the body of the discussion, will be booked as revenue only when those vehicles are delivered to customers. And we do have a large backlog order quantity.

So in terms of the margin, our goal is always to maintain a stable margin profile. In Q1, we were impacted by traditional seasonality, as always happens. Vehicle volumes are always lower than other quarters. There were also other impacting factors, including the battery upgrades that we mentioned. So our expectation going forward is to continue to focus on margin improvement via cost controls and via increased volumes. And we'll continue to make that a real priority as we go into Q2 and the rest of the year.

**Anny Liao Gogoro Inc - Investor Relations**

Thanks, Bruce. Operator, please open the line for Q&A session.

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**Operator**

(Operator Instructions) Fawne Jiang, The Benchmark Company.

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**Fawne Jiang The Benchmark Company, LLC - Analyst**

Horace, just want to follow up a bit more on your commentary on Indian markets. It seems like you guys are on track to open up your battery manufacturing there. I guess the question here is what's the current manufacturing capacity we are looking for in that specific, I think, site?

And secondly, for your GX250, any color on the pre-order, as well as in the preorder for your local customers' hardware tools -- toolkit you guys are providing? So essentially any color on the monetization opportunities for India in the second half of the year.

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**Horace Luke Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder**

Sure, Fawne. I'll take a crack at it, and Bruce can help add some more color as well.

The first question was about the India battery pack factory and its capacity. We are in the final stages of installation and testing. We are expecting it to come live at the end of Q2, beginning of Q3. We're now awaiting the final inspection, as well as government certifications for us to go live.

Same as Taiwan, the battery line is actually fully automated, almost fully automated. It's improvement on the line that we have today in Taiwan that we call robofab. The capacity it has is roughly around 400,000 battery packs a year. We see that as enough to meet near-term needs as we ramp up. And the lines can be -- basically, if there's enough demand. It's easy for us to replicate such a production line.

The second question was around the PBGN kit that we mentioned. There's a wide range of kits that we have developed due to the needs of emerging markets like India, where cost is very, very important, and local manufacturing and partner enablement is also very, very important.

Our kits range from a simple -- as some of our listener also knows, that our battery is a smart battery that has a lot of wireless capability and security built into the battery pack itself. The simplest kit that we have is simply a connector plus a -- basically, think of it as a non-energized tag. It's where the battery can actually read the tag and authenticate itself to discharge out. When security tag is not a match, our security will kick in and ensure that battery swapping will -- the battery security is turned on so that we can ensure the battery is secured to that particular rider.

And then a slightly up from that would be a bidirectional communication unit that allows us to do a little bit more and get a little bit more power of the battery, as well as the vehicle. It's certainly more sophisticated, but very cost effective.

And then the third kit that we have is the kit that we already have for Taiwan, and we have enabled that for Taiwan over the last couple of years already. So it's a proven kit that we'll also enable local partners to use. All the way up to a full turnkey kit, includes motor, motor controller, et cetera.

It has always been the mission of Gogoro to become the Android of EV, where any parts and components and technology we develop, we see it as an open platform to engage and empower both vehicle makers and any other needs of portable battery pack makers to actually use our system.

So with that, I think I answered both your questions, Fawne. And Bruce, if you have more question? Okay, great.

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**Fawne Jiang *The Benchmark Company, LLC - Analyst***

Yeah, thanks, Horace. You mentioned that your partnership with Sumitomo, I guess, any color in terms of in what format we are looking for your collaboration, specifically Indian? Any potential -- any color on your partnership? And how will that help you to recover your capacity or your market penetration?

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**Horace Luke *Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder***

Great. The question is about Sumitomo and SMFL. We have actually been engaging with Sumitomo since 2017, when we were still a private company, when they actually invested in the round previous to the IPO. They've been a partner of ours to a number of different projects before.

And as we discussed with them about our international expansion, we've always had the idea that we need to actually enable a win-win situation where partners with large capability and large asset pool can actually help Gogoro scale while Gogoro stays focused really on the technology side of the business, and where somebody else can take the capital risk as well as deploy their capital that is needed and they want to deploy in order for them to actually penetrate into a market using battery swapping.

Sumitomo, of course, is a very established trading company and a manufacturing company, with over 800 subsidiaries all over the world. They are in almost every country that we would love to be in, and so we're partnering up to develop those markets.

As well as SMFL, it's Sumitomo Mitsui Finance and Leasing, which is one of the world's largest leasing companies, with assets like airplanes and the infrastructure. And so with their support and Sumitomo, we're looking to work together to explore ways in which we can commercialize in partnership into not only India but also other parts of the world, such as Southeast Asia and many other countries to follow.

So I hope to have more color to share in the future as we develop that discussion. But we're very excited that we have the opportunity to work with such great company and great, capable teams, which has mass market -- mass amount of human capital deployed, as well as cash capital ready to deploy.

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**Fawne Jiang *The Benchmark Company, LLC - Analyst***

Good enough. Thanks, Horace. Just switching gears back to your Taiwan market, I think at beginning of the year, you guys mentioned still pretty tough macro environment and consumer electric vehicle sentiment. I just wonder where things are as of now. And it seems like there, we saw some setback on electrification adoption here, but you guys seem to be pretty positive about electric-powered two-wheeler growth this year. That seems to suggest reverse of the market share or penetration gain. So just wonder what gives you the confidence, the drivers behind that.

And also, for your new product, Jego, I understand is a lower-ASP product. Just wonder how would that impact your profitability or unit economic structure going forward.

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**Horace Luke *Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder***

I'll take the first part, and I think Bruce can take the financial side of the question. What gives me confidence is a couple of things. Number one is (technical difficulty), a moratorium on ICE vehicles that now has been established in Taiwan, with some goals by 2030, as well as 2040. Having such clear goals defined by the government gives a lot of direction for both the industry, as well as the public. I would say that's really the first one.

The second one that gives me great confidence on our ability to achieve our success this year has to do with the fact that, as you mentioned, we did kind of redefine the entry-level with a product that is really great feature, really great performance, really good design and ergonomics and usability. Basically, there's nothing to complain about that vehicle. And on top of that, we have some great promotional plans that has went out to really excite the market, and we're seeing great momentum there. As Bruce mentioned, (technical difficulty) about 6,500 units. And we're working really hard to make sure those units are delivered as soon as we can.

Now as far as recapturing imagination of what the public perceives, it's possible with electric, especially coming from some of us who actually are (technical difficulty) smartphone technology, and also, partnerships like the ones we have with Qualcomm onto a vehicle form factor. More than just electrification, but now intelligent and connectivity being a key milestone, a key pillar of why you want to go electric. Something that we can do electric vehicle that you couldn't do with a traditional ICE vehicle. Having that connectivity and interactivity (technical difficulty) uniquely different, and hope to -- we're looking for that vehicle.

And we've received a lot of great media feedback. We've received a lot of sight unseen order of the vehicle, where we believe that that vehicle in itself will be the aspirational product in the market. So with the bookends on both the high side of the business (technical difficulty), also as the entry level that really can convert a traditional commuter ICEs, or to convert to electric solution, we think we are pretty confident that -- And we're seeing good momentum there. And we're seeing good excitement in the market. We're seeing good excitement with the media, as well as we're seeing good excitement as we deliver the first set of vehicles to the consumer. They're definitely talking about and sharing about the great experience. So that gives us pretty good confidence that the balance of the year will perform to our expectation.

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**Bruce Aitken Gogoro Inc - Chief Financial Officer**

In terms of the ASP side of the question, Fawne, Horace mentioned the bookends, I think it's a good way to think about it. Jego at the low end with an ASP that's a little bit under USD2,000. Obviously, there's SKUs that can take you a little bit above \$2,000, but that offset or balanced by the Pulse vehicle at the very high end (technical difficulty) \$3,500 or even \$4,000 per vehicle. So we like the fact that we've got a brand-new product with a ASP, excellent riding experience, and a brand-new product at the lower end of the ASP range. And they kind of balance each other out, so we don't expect a great deal of downward pressure on ASP across the board.

And then the second part is, obviously, our goal has always been to use vehicles as a means to accumulate subscribers on the Gogoro network. And we kind of have (technical difficulty). And we get more and more subscribers who, over time, continue to pay a healthy amount of ARPU on a monthly basis. And as you know, we see ARPU stay relatively flat quarter on quarter and year on year. Then the goal is to get as many subscribers on that network. If they come riding a high-end vehicle, that's great. If they come (technical difficulty) MIX or Gogoro MIX-XL, that's great. If they come in writing a Jego vehicle, we're okay with that, too. One battery pack, two battery pack, there's room for everybody to find a plan that meets their needs. And as long as we get accumulating riders on the network, then we're thrilled with that.

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**Fawne Jiang The Benchmark Company, LLC - Analyst**

Got you. But just a quick follow-up on that, for the 6,500 units in the backlog, when do you expect to deliver? And also, any concern -- because you mentioned that you, in the balance, are struggling a bit with the manufacturer capacity, any constraints you foresee for the balance of the year?

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**Bruce Aitken Gogoro Inc - Chief Financial Officer**

Yeah, so 6,500 is the current backlog at the end of Q1. Just for transparency's sake, that backlog was about 5,000 units, right? So when we talk about the potential for \$8.6 million in revenue that we'll book in Q2, which is (technical difficulty), then that's against 5,000, and the 6,500 is the number that's current as of today, kind of end of April. So first, clarification there.

In terms of the delivery times for the backlog units, we are ramping up production in our factories just a little bit. We'll begin to see those backlog get trimmed during Q2. Obviously, we hope that the Q2 order volume stays high, so I do expect that we'll exit Q2 with some backlog units as well. Hard to give you an accurate forecast on that.

And in terms of dramatically increasing capacity, really, our goal is to balance production across the entire year and across all different vehicle types. So no constraints in that true sense of the word, more just an effort to ensure that we're running factories efficiently, that we're on fulfilling all the orders the customers have, whether they're for these two new vehicles or for an existing vehicle type.

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**Fawne Jiang The Benchmark Company, LLC - Analyst**

Understood. Thanks for the color. Appreciate it.

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**Operator**

Angelina Chen, JPM.

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**Angelina Chen J.P. Morgan Securities (Taiwan) Ltd. - Analyst**

So yeah, I just have two questions. First of all, since TaiPower has started to increase electricity price, did you have any plans to raise the battery swap service fee? And if you are not planning to raise the price, would the increase in electricity price impact the margin of your swap business?

And second of all, we are seeing rising bicycle sales in China. So do you see demand improvement for e-two-wheelers in China? And what is the company's strategy for China in the next one to two years?

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**Bruce Aitken Gogoro Inc - Chief Financial Officer**

I can take the question about electricity, Angelina. So the first thing is that you're absolutely right, Taiwan government is increasing power rates. And clearly, power is one of the components of our Gogoro network service that we provide to customers, because when a customer brings in a battery pack, regardless of how full or empty it is, we recharge it and then reissue it to the next customer full.

So there's kind of good news and not so good news. The good news is that the battery energy -- the energy that we consume from the grid to recharge those batteries is a smallish percentage of our overall cost to operate. The single biggest cost is depreciation. We have rental for the sites where the GoStations are located. We have O&M. We have all those different kinds of costs. And electricity is part, but it's not a major part of our overall cost structure.

We are analyzing what should we do from a pass that cost on to consumer basis. And what we're hoping to do is maybe increase price slightly, but give customers a rebate so that they feel bought in to the process. We're still discussing those plans internally.

At this stage, if worst-case scenario, we chose not to pass any cost on the consumer, the percentage there is small enough that it would not have a dramatic impact on our margin. And so balancing between internal cost pressure versus asking customers to pay a little bit extra is the challenge.

Frankly, customers in the electric recharging, battery swapping world don't think of their bill as having a component being the cost of power from the grid. Somehow, despite the fact that in the external market for traditional gas, the prices go up and down. But in our world, people are really, really cost conscious. So what that means is it's difficult for us to pass those costs directly on to consumers at this time.

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**Horace Luke Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder**

Angelina, I think you were cutting out on the second question. I might not have heard it clear enough. Can you restate your question again, please?

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**Angelina Chen J.P. Morgan Securities (Taiwan) Ltd. - Analyst**

So my question was just the company's overall progress in China, because we're seeing increasing bicycle sales in China. And I'm just wondering, does that also mean improvement for e-two-wheeler in China as well. And what is the company's plan and strategy in China for the next couple of years?

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**Horace Luke Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder**

Okay. Well, as you know, we have established a partnership with Yadea and Dachangjiang, with Yadea being the largest e-cycle company in China, and Dachangjiang being the largest ICE vehicle two-wheeler in China. Over the duration of the partnership, Yadea has created multiple vehicle using our battery swapping system. The partnership is really a joint venture between Yadea and Dachangjiang, leveraging Gogoro's technology while we provide hardware components and enabling technology to enable them to build vehicles that are swapping ready.

And I would say that overall, in China, the ramp is still not as dramatic as we first thought it would be. We are operational in Hangzhou,

where riders are mainly doing B2B delivery because of the need for battery swapping. When it comes to vehicles that are being built by Yadea, we see the usability as we expected. And then also, there is all constant discussion about how to expand that broader and acquire more customers.

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**Angelina Chen J.P. Morgan Securities (Taiwan) Ltd. - Analyst**

Thank you so much, Horace and Bruce, for answering the questions. It's very clear. Thank you.

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**Anny Liao Gogoro Inc - Investor Relations**

At this time, I will take an online question that was submitted. Renewable energy are currently cheaper than fossil fuel. Solar and wind farms will require large-scale energy storage. This is why companies like Tesla are selling Powerwall and Powerpacks using lithium iron phosphate to customers to help create our smart grid. Does Gogoro plan to enter this market by selling a smaller 10-battery slot swapping station to customers and allowing people around the world to build their own energy network using Gogoro smart batteries?

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**Horace Luke Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder**

Great. Thank you for the question. The answer is as we look at what batteries and what batteries can do, we do see great opportunities, especially around energy storage, as well as power backup. With the Gogoro network today in Taiwan, we have, of course, 1.4 million batteries in circulation. A portion of that battery is sitting on the sideline, getting ready for swap.

But at the same time, we work with the Taiwan Power Company to develop technology and also refine our technology so that we can do everything from demand response to frequency response. And with the most recent -- if you are keeping track with Taiwan news, you'll find that we also have been working with TaiPower to take out batteries that we're retiring in the future to store them in large racks where we can use the battery to service an industrial-grade UPS, similar to what you're speaking of, of a Powerwall.

Of course, there's many other applications we can think about, and as we look into the future, I think batteries, both new batteries as well as consumed batteries that are first life used for mobility, can certainly be something that we can leverage to build the product that you're speaking of in the future.

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**Anny Liao Gogoro Inc - Investor Relations**

Thank you, Horace. We have time for one more online question. Does Gogoro have any plans to open up your battery ecosystem so that third-party manufacturer can create new vehicle applications such as drones, forklifts, golf carts, to be powered by Gogoro batteries? Customers and third-party manufacturers can purchase Gogoro batteries and charging hardware as well to expand your revenue beyond scooters.

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**Horace Luke Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder**

Absolutely, thank you for the question. As we look at our batteries, think of our battery as just a very large battery. It can power everything from two-wheelers to three-wheelers to micro-four-wheelers, as we have demonstrated in the Tokyo Auto Show with our partner in mobility through a consortium called MIH, which is a Foxconn-led mobility platform, doing a micro-compact four-wheeler that uses Gogoro battery as an augmented power source to extend range.

Of course, we have investigated and prototyped many different type of vehicle, including some of those vehicle types that you have mentioned. Absolutely. If somebody wants to use our battery and use our components, we welcome the opportunity. And we think that (technical difficulty) powers just about anything. So absolutely, we think that's something that we hope to see in the future.

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**Anny Liao Gogoro Inc - Investor Relations**

Thank you, Horace. At this time, I'll ask Horace to give us a few closing remarks.

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**Horace Luke Gogoro Inc - Chairman of the Board, Chief Executive Officer, Founder**

Great. Thanks, Anny. Our two vehicle launches in Taiwan have both been very well received, but the most important thing about those two vehicles is the fact that those two vehicles represent two brand new platform on which we can extend and build future vehicles on. Similar to about five years ago, six years ago, when we launched the Gogoro 2, it created a platform for us to build vehicles that you see

today.

As we move into Q2, we expect to continue positive momentum to deliver against our 2024 full-year forecast. Both Taiwan and international market have lots of room to grow, and we look forward to providing periodic updates to you all on our progress throughout the balance of the year.

Thanks for calling in today on the webcast. Thank you, everyone.

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**Operator**

Thank you for your participation. This does conclude the program. You may now disconnect.

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