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Q2 2023 Gogoro Inc Earnings Call

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PRESENTATION

Operator

Welcome to the Gogoro Inc. 2023 Q2 Earnings Call. This session will be recorded. I'd like to introduce Bruce Aitken, CFO of Gogoro, who will kick us off.

Bruce Morrison Aitken *Gogoro Inc. - CFO*

Thanks, operator, and thanks to everyone for taking the time to join us today. I'm Bruce Aitken, CFO of Gogoro, and I'm pleased to welcome you to our second quarter 2023 earnings call. 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. We will also be displaying the materials on the webcast screen as we go. We're looking forward to sharing our Q2 results as well as providing guidance on what we're seeing as the outlook for the balance of 2023. Before our CEO of Horace Luke shares, I'd like to introduce Michael Bowen of ICR, who will share the process for today's call and provide some important disclosures. Michael?

Michael George Bowen *ICR, LLC - MD*

Thanks, Bruce. I'm sure you're all looking forward to hearing from Horace and Bruce on behalf of Gogoro. But before that, allow me to remind you of a few things. You are currently on mute. If you have a specific question, please use the chat function in the system to submit questions, and we'll answer as many as time allows. After Horace has given a brief overview of Gogoro and some of the business highlights from Q2. Bruce will go a bit deeper into the Q2 financial results. During the call, we will make statements regarding our business that may be considered forward-looking within applicable securities laws, including statements regarding our second quarter 2023 results.

Management's expectations for our future financial and operational performance, the capabilities of our technology, projections of market opportunity and market share, our potential growth, statements relating to the expected impact of the COVID-19 pandemic, supply chain issues and other headwinds facing the company. The company's business plans, including its expansion plans, the company's expectations relating to its growth in overseas markets, statements relating to the potential of our strategic collaborations, partnerships and joint ventures, statements regarding regulatory developments and our plans, prospects and expectations. These statements are not promises or guarantees and are subject to risks and uncertainties, which could cause them to differ materially from actual results. Information concerning those risks is available in our earnings press release distributed prior to market open today and in our SEC filings. We undertake no obligation to update forward-looking statements, except as required by law.

Further, during the course of today's call, we will refer to certain adjusted financial measures. These non-IFRS financial measures should be considered in addition to, not as a substitute for or in isolation from IFRS measures. Additional information about these non-IFRS measures, including reconciliation of non-IFRS to comparable IFRS is included in our press release and investor presentation provided today. Now over to Horace.

Hok-Sum Luke *Gogoro Inc. - Founder, CEO & Chairman*

Hi, Michael. Thanks for joining our call today. We're pleased to have this opportunity to meet with you and provide an update on the second quarter 2023 results and guidance for the rest of 2023. As we mentioned last quarter, 2023 started off with a very challenging macroeconomic environment and set of economic data. While we continue to see strong overall interest in the markets that we serve, the macro environment in Taiwan remained relatively weak. We fully believe that the foundational work we are conducting will ultimately result in electric vehicle demand, but it is always difficult to accurately predict the timing and degree of EV adoption, in which we compete already have a large installed base of ICE vehicles.

Each market will transition to electric vehicles based on a combination of factors: government support, product availability, pricing, infrastructure readiness and customer willingness to adopt EVs. We believe that this shift in mindset will occur in conjunction with market awareness of our product and services. The long-term future remains bright in the face of some near-term challenges, and we remain excited for the future of vehicle and infrastructure electrification. We continue to see strong interest across the region and around the world for sustainable 2-wheel transportation. And when our products are reviewed and tested our battery swapping hardware, platform technology and our vehicles constantly are being chosen for both B2B and B2C deployment in a variety of countries and for a variety of business models.

While hardware is critical, it is our end-to-end software ecosystem and our network optimization, security and integrated operating tools and platform, which really sets Gogoro apart. We're on track for market availability in India and the Philippines later this year. In India, we announced a strategic agreement, the first is kind with India state of Maharashtra to manufacture our Smartscooters, Smart Batteries and Gogoro Station in the state as well as deploy Gogoro battery swapping across the state. For Gogoro's effort and investment to bring the new industry of battery swapping to the state, Gogoro has been offered unprecedented subsidies and financial support. The state of Maharashtra is leading India's transition to electrification, and we're pleased to help. As we said in our earnings release, financial results for the second quarter and for the first half of 2023 are roughly tracking to our forecasts. We've managed cost effectively and have increased gross margin and adjusted EBITDA for the first half of 2023.

We also continued our growth in battery swapping service revenue and saw a slight increase in our overall revenue on a consistent currency basis versus Q2 of last year. Despite these positive results, our Taiwan sales were slightly below the same quarter last year. And as Taiwan represents approximately 95% of our revenue, there is a direct correlation between Taiwan sales performance and our revenue. We aren't standing still. We're aggressively investing in our Taiwan marketing and retail channel expansion with the opening of 79 Gogoro Express locations in addition to our existing locations, with lots more opening later this year. And we'll continue to build out our product portfolio and have several important vehicle introductions in the coming quarters that will expand our product portfolio, increase sales and grow revenue in both Taiwan and our other markets that we're entering.

Taiwan vehicle registration in the first half of 2023 have exceeded those of both 2022 and 2021, and it appears that total vehicle volume for 2023 could return to the pre-pandemic level of approximately 800,000 units though that much of this uptick is in lower cost, more affordable ICE vehicles as consumers continue to exercise conservative financial decisions in light of the global economic situation. This consumer conservatism is highlighted by a very low consumer confidence index in Taiwan, which was at a 10-year low in Q1 2023. Electric 2-wheel sales have not mirrored the growth in the overall market. It is not in our long-term financial interest to aggressively mark down our vehicle prices as ICE OEMs are doing today. To do so, we jeopardize our product experience and the quality of service that our customer enjoys today.

We're focused on maintaining our financial performance on important metrics despite the strong short-term competition and continue to believe that we are well positioned for the inevitable shift from ICE vehicle to now electric vehicles. Sadly, every ICE vehicle purchased now is likely to be in use and contributing to the substantial carbon emissions for the next 10 years or so. But given that Taiwan is effectively a replacement market with approximately 700,000 to 800,000 vehicles replaced every year. We are still optimistic about our opportunity to convert ICE owners to electric vehicle owners as we build more products to address even broader market segments.

Getting consumers to feel they can personally and directly play a role in a cleaner environment is important. While purchasing an electric vehicle may be perceived as carrying a higher upfront cost, the total cost of ownership over time continues to favor electric vehicles and the other long-term benefits to health as well as to the environment significantly outweigh any concern consumer, delivery riders, fleet operators or government may have about electrification. All of these factors combined mean that despite achieving solid financial results so far in 2023, uncertainty in the market leads us to a conservative second half outlook, and we are predicting a seasonality-driven second half. Given the potential for an ongoing softness in the Taiwan market, we're updating our full year guidance to a revenue forecast of \$340 million to \$370 million.

Our India plans while progressing are not likely to result in substantial revenue in 2023. To address this reality, we've been actively developing multiple new vehicles that will be launched in the next several quarters, both at the high performance and at the affordable

end of our product and price spectrum. We're developing for product market fit, not just in Taiwan, but in other countries as well. We continue to learn valuable data and insights through our ongoing pilots. All of this information informs our upcoming vehicle designs and launches. While I can't say much more about these vehicles, they will appeal to a variety of riders continue to demonstrate and extend our technology leadership and offer increased versatility to riders. Additionally, we are testing ways to improve our battery packs, our battery swapping station and our software capabilities and reduce costs for hardware and operations.

International expansion is important as we seek to diversify our revenue base. We've been quietly making great progress behind the scene on our expansion into India and other countries. We're localizing supply chains and manufacturing capabilities, increasing our team size and continue to operate pilots, which are receiving great feedback and inform our market launches direction and plans. And perhaps most importantly, we have formalized our investment agreement with the government of the state of Maharashtra, a \$1.5 billion investment by Gogoro and our partners, which will enable the electrification of India's largest state by GDP contribution and the second largest state by population with over 110 million people.

In June, we announced Gogoro would be entering into an ultra mega project agreement to manufacture vehicles, smart battery packs and battery swapping stations and deploy an open and accessible battery swapping infrastructure in the state of Maharashtra. This follows the MOU that was signed back in January 2023. This project is one of the largest EV investments in India's history with a \$1.5 billion investment plan to bring Gogoro's ecosystem into India. Ultra mega projects are strategic investment for over \$500 million supported by financial incentives from the Maharashtra government. We are focused on creating a domestic supplier ecosystem that allows for domestic growth and foreign market expansion.

Our Swap & Go pilot has been live in India for an exciting three months. We've tallied some impressive numbers so far. The total distance travel has accumulated over 430,000 kilometer, which is equivalent to over 10 trips around the earth. Over 8,500 battery swaps, over 33,000 kilograms of CO2 saved. We are also happy to see that our swapping solution has helped delivery riders in India to increase delivery efficiency and in some cases, as much as doubling their monthly earnings. Perhaps the most compelling data collected during the pilot is that our battery packs and go stations are performing very well under high use, high temperature and unpredictable road condition.

In addition, we are also proving that there is additional energy capacity available if the battery chemistry is consumed more quickly via high utilization. We can make that extra energy available to consumers at reduced cost or we can use the extra energy for second life use cases, and we believe we can extract additional value from packs by recycling them at the end of life. We will have an Indian locally manufactured assembled a new vehicle ready for launch in the coming months and will begin deliveries to key customers soon. Locally manufactured battery packs will also begin production in late Q4 2023 or early 2024.

To support these local operations, we have substantially increased our employee presence in India as well. We're fully committed to the Indian market. Success in India depends on having vehicles, battery packs and go stations that meet aggressive cost target. Depending on factors like vehicle performance and range, our target pricing ranges will be very competitive to the local market. We're aiming to introduce vehicles that meet these pricing thresholds and rival others ICE and electric products already available in the market by Q4 2023 or Q1 2024.

Additionally, developing local supply chain for our battery packs and our go station means that we can reduce costs substantially on the order of 20% to 30%. This will also help us reduce operating costs overall. The issue of climate change has become even more urgent, pushing governments, businesses and individuals to prioritize sustainability and environmental responsibility. Sustainability and green mobility are Gogoro's core value. And in Q2, we continue to make progress towards our objectives of making smart swappable energy available to urban consumers everywhere. Gogoro users have collectively reduced carbon emissions by over 680 million kilograms. We achieved sustainability by utilizing 100% recyclable polypropylene as the shell material for most of our Smart Scooters, promoting resource regeneration and eco-friendly recycling.

Furthermore, since 2022, we incorporated 40% renewable energy in our factories and certain designated Gogoro stores now operate on 100% green electricity. These efforts marked a significant stride towards the ultimate goal of transitioning to 100% renewal energy usage by 2050. We're the first among our peers to make such a commitment. We recently collaborated with Japanese designer Naoto

Fukasawa and MUJI, the Tokyo-based consumer goods and lifestyle company on newly designed Gogoro Smart Scooters along with a range of merchandise and accessories.

Using iconic MUJI design elements and recycled polypropylene plastic, the new Gogoro VIVA and VIVA MIX ME promotes simplicity and sustainability and is part of the joint recycle for -- Good Sustainability Initiative. The Smart Scooter, under the personal curation of Fukasawa, presents minimalist design incorporating recycled polypropylene body components. This initiative aims to inspire consumers in Taiwan to engage in recycling polypropylene plastic waste at Gogoro and MUJI stores and empowers them to contribute small, but meaningful steps towards creating a more sustainable future.

While we promote sustainability on the consumer side, the government was also taking actions. In Taiwan, government bureaus and agencies are taking an initiative to commit to sustainable energy and transportation, while implementing corresponding strategies to control pollution by replacing aged government-owned scooters with Gogoro Smart Scooters, which has accumulated over 8,000 vehicles since the program began. We thank various branches of the Taiwan government for their partnership and look forward to extending that partnership both in Taiwan and in other countries as well.

Recently, a variety of state governments in India, including the government of Goa, Maharashtra, Delhi, Haryana, and Andhra Pradesh have made commitments to transition last-mile delivery fleets, last-mile connectivity fleets, and tourism fleets to electric vehicles.

I'd like to invite Bruce to provide more detail on Taiwan and a few of our other international markets and financial update.

Bruce Morrison Aitken Gogoro Inc. - CFO

Thanks Horace. As Horace indicated, the Taiwan two-wheeler market has grown in the first half of 2023, but EV volume is slightly down. In Q2, the total number of registered scooters in Taiwan was 186,549, up 13.4% from Q2 of 2022.

In the first half of 2023, the total number of registered scooters was 363,747, up 11.6% compared with the first half of 2022. The total number of registered electric scooters in Q2 in Taiwan was 20,118 units, down slightly from 21,195 in Q2 of last year. Of these electric scooters, approximately 16,400 were Gogoro and partner-branded vehicles and 14,118 were Gogoro branded. Despite the overall scooter market in Taiwan witnessing a slight uptrend, the pace of electrification has not mirrored the growth in ICE vehicle sales. This situation is largely driven by ICE competitors aggressively reducing prices to spur growth.

Our retail sales strategies are unchanged. We continue to increase our presence via growing our store count from the current 91 to a planned 100 stores by the end of the year, and we believe that the products we have planned for the incoming quarters will improve our competitiveness versus ICE vehicles in the future. In addition, we're targeting 150 Gogoro Quick service community stores by the end of the year, up from approximately 79 such stores that are already operating with clearly many more to follow. We continue to make good progress in other international markets. In the Philippines, together with our partners, the Ayala Group, Globe Telecom and 917 Ventures, we expect to open a Gogoro Experience Center in the coming months, and our pilot is already up and running.

In Korea, to support growth, our partner Bikebank has expanded the battery swapping network to seven additional cities beyond Seoul and currently have over 84 GoStations operational across Korea. Our Smartscooters and battery swapping solutions have been used for food deliveries in Seoul since 2019 and has received widespread attention and acceptance. We'll continue to work closely with Bikebank to accelerate the transformation of urban mobility and promote sustainable transportation in Korea.

Over the past four months, our pilot program in Singapore has achieved remarkable success, thanks to the support from our partners, Jardine Cycle & Carriage Singapore as well as Foodpanda Singapore. With over 10,000 kilograms of CO2 saved total distances of over 110,000 kilometers driven and over 2,700 battery swaps, we're gathering lots of data from our pilot in Singapore. Extending the use of batteries through second life is important. We've deployed smart traffic lights at a number of major intersections in Taipei Q2 in partnership with Far EasTone Telecommunications, one of Taiwan's leading mobile operators. We're excited to work with Far EasTone on this project to address the risk of traffic signal failure due to sudden power outages in the city.

Gogoro took the lead in partnering with Far EasTone to develop the smart traffic signal uninterruptible power system at the end of 2021.

This system utilizes smart batteries to provide real-time power backup ensuring smooth traffic operations. After successfully testing for over a year in Taipei, Gogoro and Far East one have expanded the application and with plans to expand to nearly 200 critical intersections in Taipei by the end of the year, we've created an innovative model for sustainable smart city solutions. And more importantly, we've proven the thesis that there are a great number of second-life opportunities for our batteries.

In April, we announced the commercial deployment of Gogoro battery-enabled virtual power plants with Enel X. We have currently deployed a total of 967 locations with plans to increase the total to 2,500 swap station cabinets across 1,000 locations by the end of 2023 to serve both demand and frequency response. We've always believed that mobile energy plays a crucial role in facilitating sustainable transformation, not only in transportation, but also across diverse industries seeking to transition from fossil fuels to electric power or those requiring solutions beyond the limitations of fossil fuels. Leveraging the second life of our batteries, we are effectively addressing a wide range of smart city energy demands, generating new revenue streams and contributing to the advancement of sustainable urban development.

In summary, despite some near-term market-driven volume shortfalls in Taiwan, we believe we're on track to deliver real value to customers whether through our Smartscooters our Smart Batteries our second life and ancillary service capabilities. We're working hard to deploy Gogoro battery swapping capability in international markets, to broaden our retail footprint and service level in Taiwan, and to continue innovating across our entire product portfolio, both in new products and in Second Life opportunities for fully depreciated batteries.

To focus specifically on financial highlights for Q2 of 2023, we continue to see healthy increases in our Gogoro battery swapping revenue, and our performance against our key financial metrics for the first half of 2023 was solid. We saw a drop in our Taiwan-generated vehicle revenue this quarter, but our international expansion continues to demonstrate solid progress that we anticipate will turn into revenue by the end of 2023 and into the future. We expect to continue our investment in research and development, network infrastructure, and international production capacity into 2024 to lay the foundation for our international expansion.

For the second quarter of 2023 operating revenue was \$87.2 million down 3.8% year-over-year and up 0.2% 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 \$3.7 million. Sales of hardware and other revenue for the quarter were \$53.9 million, down 10.6% year over year, and down 6.8% year-over-year on a constant currency basis. For the entire powered two-wheeler market, sales in Taiwan in the second quarter were up 13.4% year-over-year, returning to roughly pre-pandemic levels, likely due to deferred purchasing.

Sales of electric power two-wheel vehicles have not mirrored this growth. Sales were down 5.1% compared to the same quarter last year. Much of the growth in the power two-wheel market was driven by a very few specific internal combustion engine models that continue to appeal to price sensitive consumers at the expense of competing ICE and electric vehicles.

Gogoro vehicle sales volume decreased by 8.1% compared to the same quarter last year, largely driven by Taiwan's consumer confidence index being at a 10-year low at the beginning of 2023, and that typically translates into conservative purchase decisions when customers are refreshing their vehicles. This makes our second-half financial outlook difficult to predict. We view the second half conservatively, and we are expecting our performance in the second half of 2023 to track historical seasonality.

Battery swapping service revenue for the second quarter was \$33.3 million, up 9.6% year-over-year and up 14.2% year-over-year on a constant currency basis. Total subscribers at the end of the second quarter exceeded 552,000, up 14% from 484,000 subscribers at the end of the same quarter last year. This 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 also attributable to the high retention rate of our subscribers. We continue to see the strength of our subscription-based business model to accrue more customers to maximize our battery swapping network efficiency.

For the second quarter, gross margin was 15.2%, up from 14% in the same quarter last year, and non-IFRS gross margin was 16%, up from 15.5% in the same quarter last year. The gross margin and non-IFRS gross margin increases were driven by the improved cost efficiencies of Gogoro's battery swapping service operations and an increase in the average revenue per energy subscriber due to a

combination of new subscription programs and longer riding distances post-pandemic. These increases were partially offset by the higher production cost per vehicle as a result of lower volumes and promotion expenditures on scooter sales this year, while some of the adverse impacts were mitigated by our favorable product portfolios.

For the second quarter, net loss was \$5.6 million, down (corrected by company after the call) \$115.5 million from \$121.1 million in the same quarter last year. This decrease in net loss was primarily due to \$178.8 million decrease in listing expenses and a \$24.4 million decrease in operating expenses, primarily consisting of an \$18.5 million decrease in acquisition-related expense, a \$3.2 million decrease in share-based compensation and our tight control on expenses, savings of \$2.3 million in expenses for sales and marketing programs and \$1.5 million in general and administrative expenses. These decreases were partially offset by an unfavorable change in the fair market value of financial liabilities of \$88.5 million.

For the second quarter, adjusted EBITDA was \$12.9 million, up from \$9.3 million in the same quarter last year. The increase was primarily due to a \$2.3 million decrease in expenses for sales and marketing programs, as we implemented more efficient marketing campaigns and a \$1.5 million decrease in general and administrative expenses, mainly as a result of cost savings initiatives. The increase was partially offset by a \$1.1 million increase in research and development expenses for the development of new products and our international expansion.

We reduced operating cash flow by \$41 million compared to the same quarter last year, through tightening our business operations and reduced working capital. We borrowed \$22.7 million and paid back \$14.3 million in bank loans in the second quarter to finance our investing activities. With a \$144 million cash balance at the end of the second quarter and additional credit facilities, we believe we have sufficient sources of funding to meet our near-term business growth objectives.

Due to the soft demand in the Taiwan market and to reflect our current market outlook and the timing of the realization of our international projects, we are updating our 2023 revenue guidance to revenue of \$340 million to \$370 million. We estimate that we will generate approximately 95% of our 2023 full year revenue from the Taiwan market. With that financial update, I will hand things back over to Michael for Q&A. Michael?

QUESTIONS AND ANSWERS

Michael George Bowen ICR, LLC - MD

Thanks, Horace and Bruce for the business update, details on financial results and forward guidance. As attendees are formulating your questions, I will ask three questions, which I think are likely on everyone's minds, given what you've just shared. With that said, question number one. You've updated your guidance for the full year. Can you shed a bit more light on why and what leads you to have confidence that you will meet your revised guidance for 2023? And what are your preliminary thoughts for 2024?

Hok-Sum Luke Gogoro Inc. - Founder, CEO & Chairman

Thanks, Michael. Well, to be clear, we're really bullish on the global transition from EV from traditional ICE vehicles. Individual markets, we transition at various time and speed based on a number of different factors: government policy, consumer awareness of environmental issues, cost of vehicle and energy, et cetera.

We believe that in that transition, battery swapping will emerge as the best technology in terms of speed and convenience of swapping as well as the standpoint of helping power grids, which are increasingly pressure to manage and support the transition. We have clearly seen this in Taiwan and also through our pilots overseas. In any given quarter of the year, there will be external factors, which will impact that transition.

In Taiwan at the moment, a mix of macroeconomic factors and aggressive pricing by ICE vehicle makers is creating some short-term headwinds for Gogoro. We don't believe we've maxed up on Taiwan's vehicle sales, but we did experience a slight drop in the unit sales in the first half. We have a lineup of vehicle we expect to launch this year and early next year that we believe will really help.

As far as meeting our updated guidance, we're working hard to grow our retail footprint and our customer touch points. We're expecting

normal seasonal uptick in sales in the second half, and we have vehicle launches planned. These factors combined make us confident we will hit these new targets. 95% of revenue is expected to be from Taiwan, but we should also start seeing more revenue from international markets in the second half as compared to last year.

Michael George Bowen ICR, LLC - MD

Okay. Thank you. We'll move on to question number two. So, you talked about new vehicle launches in the second half and about ongoing improvements in your batteries and stations. Can you share a bit more detail, will these vehicles and improve battery swapping technology to be deployed in India and other places in addition to Taiwan? Thanks.

Hok-Sum Luke Gogoro Inc. - Founder, CEO & Chairman

Sure. India is a critical market for us and getting products, partners and pricing right for India is really, really important. We're fully committed to India. We're localizing our supply chain and preparing for local manufacturing, both of which will create substantial cost reduction opportunities and qualifies for Indian subsidies. We're always working to improve our battery and station technology. Safety and quality are always first on our mind. The cost, capacity, and other factor matters a lot also as well. We have a number of product improvements we'll be introducing over the coming months.

When we develop vehicles, we design for global markets. But at times, we need to localize for local market to meet pricing expectation, logo regulation, or other factors. The vehicles that we have slated for launch cater to the needs of a broad range of customers. We have vehicles, which will satisfy customer concern about affordability, we have vehicles which will appeal to an early adopter of technology, and also we have vehicles who had -- to B2B and B2C customers as well.

Michael George Bowen ICR, LLC - MD

Okay. Thank you. Next question is despite a drop in hardware revenue, you mentioned as you've met a number of other financial metrics. What metrics are you tracking? And what are your expectations for the second half for margin, EBITDA and other metrics that you can share?

Bruce Morrison Aitken Gogoro Inc. - CFO

Thanks Michael. There are always external factors that are difficult for us to control. But what we're trying to focus on is the internal cost structure, which we have control over.

So, we're continuing to invest for international expansion. But despite doing that, we're really focused on cost savings opportunities. We're keeping marketing cost per vehicle flat. We're tightly controlling OpEx, we're generating healthy EBITDA, and we're tracking the healthy growth in battery swapping service revenue. We haven't provided specific EBITDA or margin targets for the second half. We're really focused on establishing solid financial discipline and a solid foundation such that both in Taiwan and as we begin our international expansion, we can continue on that solid financial grounding.

Michael George Bowen ICR, LLC - MD

All right. Thank you, Bruce. Operator, at this point, let's go ahead and open up the line for the Q&A session. Thank you.

Operator

Thank you. (Operator Instructions) Our first question comes from the line of Angelina Chen with JPMorgan. Your line is now open.

Angelina Chen

Hello. Thank you, Horace and Bruce. I'm Angelina from JPMorgan, and I'm filling in for Bill. Can you hear me?

Bruce Morrison Aitken Gogoro Inc. - CFO

Yes, we can hear you, Angelina.

Angelina Chen

Great. So just two questions from us. First of all, when does the company expect to turn operating profits profitable? And the second one is regarding international revenue exposure. What percentage of the revenue do you expect from overseas business in 2024 and beyond? Thank you.

Bruce Morrison Aitken Gogoro Inc. - CFO

I'll take the second part first, Angelina. As you know, we're saying that, this year we're 95% of our revenue will be Taiwan-based. That leaves the small balance to come from international markets. We will be launching vehicles. We will be launching service in multiple markets in the second half of this year. So we do expect the 2024 percentage to increase pretty substantially. We're not giving out targets on that quite yet. I guess, I can say stay tuned for the November call where we'll try to provide some guidance on 2024. But we do expect substantial growth, specifically from India, but potentially from other markets as well.

In terms of operating profit, again, as mentioned to Michael's question just a minute ago, our goal is really to set ourselves up for a tight financial structure in Taiwan as we think about the future. All of our R&D costs are born in Taiwan. All of our corporate overhead is born in Taiwan. So when we add international business, it comes with very low overhead and should contribute to our being able to meet our operating profit goals more quickly.

Operator

Thank you. (Operator Instructions)

Michael George Bowen ICR, LLC - MD

All right, operator. In the meantime, this is Michael Bowen again from ICR. We do have a write-in question from Daniel at UBS. I'll start with the first one. There is a second one. But the first one is, could you please give us some color on the competitive landscape of electric two-wheelers in India and what are Gogoro's strengths and weaknesses compared with the other brands?

Hok-Sum Luke Gogoro Inc. - Founder, CEO & Chairman

Great, thanks. I'll take that question, Michael. So, as we look at the landscape in India, one of the first thing we saw was it was clearly a play for a more sophisticated, proven, high-powered battery swapping technology to really help service at the very beginning the B2B segment. There's a lot of vehicles today that are very, very low power with batteries that are what we call swap-outable instead of really swappable. They would have -- lots of cables that actually connect with different connector where -- a user would have to remove certain piece of the vehicle in order to swap out the battery to really mimic a swap-out experience.

For us, with Gogoro, we've been really focused on swapping experience from ever since we founded the company. And that means of doing in just seconds has really blown away most of our -- the people that have actually ridden and touched and swapped the battery without pilot. And I think there's a huge opportunity for us when it comes to providing proper two-wheelers that is powerful, that is durable and then as well as very usable and cost effective in that market. So I think that as we look around, there really wasn't too many direct comps, so to speak. But as we look at dollar for every kilometer, we certainly see that we have a very, very great opportunity ahead of us.

Michael George Bowen ICR, LLC - MD

All right. Thanks, Horace. And the second question from Daniel at UBS is as the network expansion might need significant CapEx. How does Gogoro convince local partners in the overseas markets to make such a move?

Hok-Sum Luke Gogoro Inc. - Founder, CEO & Chairman

Great question. So as you look at Taiwan, one of the fundamental reasons -- several fundamental reason where we do actually carried CapEx in Taiwan. The first really had to do with the fact that we're such an early mover that we had to actually prove out the technology, prove out the fact that we can actually have sticky subscribers on our network. They are paying for these batteries over time. And today, I think we've been able to do that very successfully. The second thing is that led us to make a decision to carry the CapEx on the network in Taiwan is because in Taiwan, very much like Japan and other parts of kind of the Northeast Asia, the interest rate and the cost of capital is just so low when it comes to basically debt capital.

So for us, the ability to actually leverage that and actually create more value in the company was -- definitely was something that we talked about a lot and we made a conscious decision to carry CapEx in Taiwan. But when it comes to going overseas, a place like India where easily, it sells 20 times more vehicle per year than the island of Taiwan or in markets like Southeast Asia, where there will be just a lot of other, I would say, markets that are also very much larger than Taiwan.

Putting that all on gearing that CapEx on our own would not only be not -- doesn't make financial sense, but also as well as very expensive. So for us, we've been actually in talks with several partners in which they -- we would then basically divide and conquer, in which we will be able to actually have partners also put in the capital to do such -- to deploy the network. So I can't speak too much detail about as to how we're going to do that. But the idea is for Gogoro to expand, not using our own capital going into those markets but instead, basically creating a win-win situation with the partner to do so.

Michael George Bowen ICR, LLC - MD

Operator, do we have any teed up? We have another online question, if not?

Operator

(Operator Instructions) I'm showing no phone questions at this time.

Michael George Bowen ICR, LLC - MD

Okay. We have another online question. So the question is, could Gogoro sell batteries, energy storage solutions directly to customers and businesses around the world and say, like the way Tesla has their energy storage products like Powerwall and Powerpack Europe and US are huge markets for battery energy storage. So, could you elaborate on that? thank you.

Hok-Sum Luke Gogoro Inc. - Founder, CEO & Chairman

Great. Our main focus when we started the company is really to progress sustainability and apply every technology and every product that we do to do so. In Taiwan's case, I'll use Taiwan is an example first, in Taiwan's case, the primary use of the battery and you have to remember, they're kind of portable power packs at the moment, the primary use is really for mobility where somebody would use the battery to basically go from point A to point B and in the vehicle mainly.

But on the side, waiting for the soft our batteries are idling on the -- on what we call the rack side, which is the station side. There's plenty of opportunity for those batteries to really work in partner with the grid to do ancillary services such as demand response or frequency response. That's -- really think of it as a complementary business in that particular case. Now, batteries -- on our batteries, there is a lot of life left actually after mobility. For us, the ability for the battery pack to power a family of two up a very, very steep hill, will require the battery to be in a certain amount of state of health in order to not have that voltage drop.

Now, the ability for us to actually use that battery post that life, there's still plenty of actually cycles and life left in those batteries. We're now working on a lot of solution to enable, as Bruce said earlier in the call, to use that battery pack to also create both UPS solution or our backup solutions as well as storage solutions.

Don't have too much to share other than we're working on that technology because there's just so much more life left in the batteries that we have in the field today. Since we launched the platform, not many battery packs have actually been retired off the network. And for us to actually see that in volume, it was going to take many more years in order to do that. But in a sense, we're preparing to that.

Now, when it comes to can we actually create battery packs and create solutions there storage and sell it. I think that there's always room for a lot of technologies to apply to sustainability.

We are one of the largest consumers of battery cell in our industry because the sheer size of the deployment that we have, we have now over 1 million battery packs deployed. And we will continue to work on creating these packs and enabling different parts of the world to take advantage of them.

Operator

Thank you. (Operator Instructions) And I'm showing no current questions in the queue. I'll hand it back to you, Michael.

Michael George Bowen ICR, LLC - MD

Thank you, operator. At this time, I will hand the conference back over to Horace for a few closing remarks. Horace?

Hok-Sum Luke Gogoro Inc. - Founder, CEO & Chairman

Great. Thanks, Michael. If I could leave you guys with three simple takeaways, they would be, number one, we continue to work tirelessly to open the India market. I'm proud of the work that the team on the ground has put in and we're on the verge of great things in India. We're thankful for the support of the Maharashtra government. The program they created for us and the amount of support financially they have actually lend us, it really is a program, first of its kind in India. And I think that will really help us achieve a successful launch in India overall, not just in the state of Maharashtra, but overall in India.

The second point I want you guys to take away is that the Taiwan EV market and our sticky subscriber base will continue to grow, and the trend to electrification will continue both in Taiwan and in other countries. We're pleased to work with the government in both Taiwan and India to assist in this transition.

Number three, product and technology improvements and upgrades are important, and localizing manufacturing will also help reduce cost. Our technology and platform ecosystem remains best in class, and we look forward to making that ecosystem available more broadly as we expand internationally. Thanks for calling in, and thanks for supporting Gogoro as we seek to make smart, swappable energy available to every urban riders in the world. Thank you, everyone.

Operator

The conference has now concluded. Thank you for attending today's call. You may now disconnect.

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