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Q1 2023 Gogoro Inc Earnings Call

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CONFERENCE CALL PARTICIPANTS

Ally Chen

PRESENTATION

Operator

Welcome to the Gogoro Inc. 2023 Q1 Earnings Call. This session will be recorded.

I'd like to introduce Bruce Aitken, CFO of Gogoro, who will kick us off.

Bruce 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 first 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 Q1 results as well as providing guidance on what we're seeing as the outlook for 2023. But before our CEO, 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 all 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 Q1, Bruce will go a bit deeper into the Q1 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 first 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 related 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

Thanks, Bruce and Michael. Thanks for joining our call today. We're pleased to have this opportunity to meet with you and provide an update on the first quarter 2023 results and guidance for the rest of 2023. 2022 was a transformational year for Gogoro as we migrated from being a private company to a public company. We have now been a public company for just a little bit over a year and 2023 is already shaping up to be a year of both immense opportunities but also some challenges.

The macro operating environment is certainly more challenging than the past few years, but we believe our solutions for clean and sustainable urban mobility will enable Gogoro to continue to be successful. Our battery swapping platform, partnered ecosystem and [energy's] grid integration combined with our people and culture provide unique advantages that will allow us to successfully grow in Taiwan and internationally.

In Taiwan, 2023 is expected to be the first year since 2020, not substantially impacted by COVID in one way or another. Various restrictions have been lifted during Q1, but comparisons between 2023 and 2022 will be difficult to make given the COVID impact during 2022 and preceding years. We have projected the Taiwan market to be roughly flat in 2023, both from the standpoint of total ICE vehicles sold as well as electric vehicles sold.

Our Q1 financial results were as anticipated with a little volume downside. While the overall 2-wheeler market grew in Taiwan, unit sales of Gogoro and partner-branded vehicles were down slightly. The total number of registered scooter was 177,000, up 9.8% from 161,000 in Q1 of 2022. As mentioned, any comparison to 2022 or earlier years is difficult as there were a variety of COVID lockdowns throughout the year, which makes either year-on-year or quarter-on-quarter comparisons difficult. It is not yet clear whether this slight increase in Q1 is a short-term market increase or whether full year 2023 sales will likewise outstrip 2022 vehicle sales.

You may recall, in 2022, the market was at 7-year low of approximately 735,000 units. We believe this Q1 increase in the overall market is the result of post-COVID return in consumer spending. But again, it is unclear within this volume trend will be maintained throughout 2023. In these challenging economic times, customers tend to revert to price consciousness and conservative purchase patterns. ICE scooter pricing has been extremely aggressive in Q1. And as a result, some consumers have purchased ICE vehicles rather than making the switch to cleaner electric solutions.

The total number of registered electric scooters in Q1 in Taiwan was 16,741 units, down slightly from 17,065 units in Q1 of 2022. Of these electric scooters, approximately 13,000 were Gogoro and partner brands and 10,593 units were Gogoro branded. While volumes of Gogoro and partner-branded vehicles were down, we attribute this to a number of contributing factors. First, the delay in city-level subsidy communication. The last major city to announce this subsidies program was made only last month. And secondly, the emergence of a number of new fuel-efficient ICE vehicles and substantial marketing from large OEMs behind these vehicles.

Additionally, a new heavily marketed low-cost, low-power electric moped in the entry market segment attract customer attention and demand in the market. We currently don't have a product offering in this new e-moped category, but have plans to introduce a number of new products in the second half of 2023. When viewed on a like-for-like 100 cc to 125 cc performance basis, market share for Gogoro and our partners for Q1 2023 was 80.6% of all electric vehicles sold in Taiwan.

We encourage competition in the Taiwan 2-wheel electric vehicle market. It serves to expand the market and drive innovation. The fact that other companies are adopting battery swapping technology further proves that the market for electric 2-wheelers is best served with battery swapping solutions. As a leader in this space, we welcome healthy competition and remain dedicated to providing sustainable, efficient and convenient modes of urban mobility that benefits both our customers and the environment.

We welcome the Taiwan government's extension of a subsidy program for the purchase of electric two-wheelers. Each consumer can get a new TWD7,000 or USD230 subsidy from the central government as well as additional subsidies from local city level government and for replacing an aging vehicle with an electric scooter. These subsidies, while not central to our business model to help consumers make a transition to electric mobility. In order for Taiwan and other countries to hit their electrification targets, a constant predictable commitment to electrification in the forms of specific incentive programs and electrification policies is necessary. Despite any periodic

short-term challenges or hurdles we encounter, we believe that the shift towards electric vehicles is inevitable and will happen both in Taiwan and in other markets.

Our Gogoro network continues to grow. We now have over 540,000 riders and have deployed more than 1.1 million smart batteries at over 1,200 battery swapping cabinets at approximately 2,400 locations across Taiwan. As has been the case throughout Gogoro's history, the total number of subscribers in the first quarter continues to grow quarter-on-quarter, mirroring the total number of vehicles that Gogoro and our PBGN partner sells. The model remains the same. A customer can buy any vehicle they like, brand, styling, motor size, performance, et cetera. And they then become subscribers to the Gogoro network and join our accumulating subscriber base in making a monthly payment for this service. This payment amount depends largely on the behavior of a particular customer on a monthly basis. So each country pricing and financial model will be different based on customer riding range, the mix of B2C and B2B riders as well as different tariff plans that we charge. The current average revenue per rider is just above \$20 for a subscriber in Taiwan with the vast majority of the subscriber using their vehicle for personal commute.

In international markets, we expect an increased mix of B2B riders and an increased mileage range among typical B2C users. We continue to see very little falloff from our network users. Even if a vehicle is sold into the secondhand market, the buyer of that vehicle becomes a subscriber of the Gogoro network. Since 2015, Gogoro has successfully completed over 460 million battery swaps with approximately 410,000 individual battery swap daily, displace 287 million liters of gas and avoided 603 million kilograms of CO2 emissions. We've done this safely and at scale for a number of years, accumulating experience, data and fine-tuning our network for international deployment.

Our network collects real-world data on riding distance and power consumption, and we're able to accurately calculate the total CO2 emissions from Gogoro vehicles. In general, if a gasoline-powered 2-wheeler vehicle is replaced by an electric vehicle, emissions are reduced by over 80% of current level of CO2 emission from an average gasoline ICE vehicle. Our impact report highlights our ongoing commitment and progress in sustainability, which is available for view on our website. We have deployed this network and built an extensive and smart management system to make every vehicle more sustainable. Our platform is able to monitor every battery, every swap and perform over-the-air upgrades to battery of vehicle software, optimizing the system for efficiency while extending lifespan of the battery. These batteries also enable the growth of sustainable urban areas.

Together with partners, we are building a range of smart city solutions and applications that include battery swapping, smart electric vehicles, smart sharing mobility, AIoT devices, decentralized energy storage and demand response services. Our batteries are now powering thousands of devices serving non-mobility customers as well. With the announcement of the commercialization of our partnership with Enel X, we can now add a potential substantial future revenue stream as well as broadly deploy a new use case for swappable smart connected Gogoro battery packs.

We have always said not to think of Gogoro as only a hardware and vehicle company. In 2022, we initiated a pilot program in Taiwan together with Taipower and Enel X, the world's largest aggregator of power and demonstrated the use of our battery in Gogoro station as virtual power plants or VPP. After the successful pilot, we recently announced the commercial deployment of more than 2,500 cabinets at over 1,000 battery swapping locations. This is a significant milestone for Gogoro, and it's the world's first, as this marks the beginning of a new era of smart energy infrastructure.

The VPP technology enables and support great efficiency and stability, returning energy to the grid when demand is high and pause charging during great imbalance without interrupting the service for the riders. Gogoro's battery swapping energy load is aggregated by Enel X VPP to support high power company energy trading platform for ancillary services. This platform enables companies like Gogoro to actively participate in energy trading and contribute to the overall energy supply in Taiwan. This collaboration with Enel X marks a significant step for Gogoro's network in our evolution as an energy innovation technology company.

With plans to deploy more than 2,500 cabinets across 1,000 Go Stations locations by mid-2023. Our proactive participation in Taiwan renewable energy future and our role in the sustainable transformation of energy and mobility is clear. Our demonstrated technology and operational leadership is meaningful to the international governments. This energy infrastructure innovation is critically needed in the countries we are entering. Through the deployment of these technologies, our aim is to make a positive impact on the advancement

of a more efficient and sustainable urban environment. This VPP use case can be deployed globally and is entirely new revenue stream for Gogoro, and indicates the strength and breadth of our product offering and a variety of businesses that stands from our ability to customize batteries and station performance and behaviors to a specific business use case.

The transition to electric mobility is already underway. And increasingly, the battery swapping approach that Gogoro pioneered is being adopted. For many, this transition to electric presents the chance for a cleaner future versus the current state of 2-wheeler pollution in large urban centers of the world. We continue to be heavily invested in helping to solve the urban mobility challenges with the cleanest and most efficient battery swapping system available and then extend the use of that network to additional use cases. While virtually all of our competitive markets have a long history of dependence on gas-powered internal combustion engine vehicles, we are confident the acceleration in affordability, reliability and range of vehicles that are electric will speed the replacement of older technology with cleaner electric-based solutions.

Whenever there is a short-term headwind of any kind, we remember that the long arc of history clearly points towards both electrification as well as battery swapping. A critical focus area for Gogoro in 2023 is international expansion. I'm thrilled with the reception we've been receiving in new markets from governments, customers and partners, and Bruce will walk you through that progress and our plans.

Bruce Aitken Gogoro Inc. - CFO

Thanks, Horace. We've made good progress and launched 3 pilots since we last reported earnings. Before I give market specifics, let me go into a bit of detail regarding expanding via B2B as a starting point in international markets and specifically why we believe B2B is a great starting point for India. The adoption of electric 2-wheel vehicles is gaining popularity as a sustainable solution for urban transportation, particularly in congested cities and particularly among B2B riders. The sheer distances driven daily by B2B riders makes the focus on converting them to clean solutions and imperative. And many city governments are making steps towards banning the use of ICE vehicles in B2B services.

Electric vehicles have lower greenhouse gas emissions and reduced noise pollution within a city. The challenge that B2B riders have always experienced with electric vehicles is the amount of time that charging takes and the range anxiety given the amount of time and space required for charging an electric vehicle. When Gogoro's battery swapping solutions are deployed, this charging location and time issue as well as range anxiety concerns are effectively addressed as battery swaps occur in a matter of seconds. Simultaneously, concerns about battery volatility under charge are addressed via our ability to charge batteries in our Go Stations at the optimal time and temperature to maximize for safety.

Provided we launched these services at roughly price parity to gas on a per kilometer basis, the feedback we received from B2B riders, delivery platforms and demand aggregators is overwhelmingly positive. In Taiwan, B2B delivery riders are using Gogoro-powered vehicles for their daily deliveries. Given the distances they ride daily and the constant power they need, B2B riders are the best customers for pilot programs and early adoption of Gogoro technology in new markets. These pilots give us the opportunity to tailor our vehicles and test road and climate conditions to meet market needs. As proof points increase, Gogoro can scale its network and grow with just-in-time CapEx deployment. We intend to finance network expansion in overseas markets with both global and local partners to remain relatively asset light.

In these new markets, we are working with delivery platforms and aggregators to accelerate the shift to EV and last mile deliveries. As we expand into the B2B market, we expect a variety of sales models in India. We have launched our pilot together with Zypp, who is a 100% electric vehicle demand aggregator. They work closely with a variety of large platform companies whose services range from food delivery to scooter taxis to grocery delivery, both large and last mile and other services. Zypp buys vehicles directly from Gogoro and leases them to riders, including insurance and maintenance services in the pricing. Energy services are provided by Gogoro and Zypp riders are all subscribers of the Gogoro network contributing quickly to our accumulating subscriber base in India.

Zypp is growing quickly, having already established a presence in a number of cities and increased both their fleet size and geographic presence. We expect to shift towards full commercialization of our pilot program with Zypp in the second half of 2023 as the pilot program matures.

The separate 3-way partnership between Gogoro, Zomato and Kotak Mahindra Prime Bank is a significant step towards accelerating the adoption of EV scooters in India. With more than 300,000 delivery partner riders, Zomato is a major player in the food ordering and delivery industry in India. The introduction of a vehicle purchase program for delivery partners onboarded with Zomato, along with favorable loan terms will make it easier and more affordable for them to transition to EVs. As the only food ordering and delivery platform committed to the Climate Group's EV100 initiative, Zomato's commitment to transition to 100% electric base deliveries by 2030 is commendable, and we are proud to be a part -- play a part in the process.

With India's electric vehicle market experiencing a remarkable 58% growth, we see a huge potential for us to make a positive impact in the India EV industry. Two-wheelers make up over 70% of all vehicles present on the roads in India with an additional 10% being 3-wheelers. Last year, these 2 categories constituted a significant 92% of the registered electric vehicles in India. Electric vehicles accounted for 4% of the 16 million 2-wheelers sold in 2022, up from 1% in the previous year, while about 40% of the 3-wheelers sold in 2022 were electric. Government incentives for both manufacturers and consumers have been a major driver of this growth with subsidies from both national and state governments.

The Indian government aims for EVs to make up 80% of 2- and 3-wheelers on road by 2030. While this growth rate seems impressive, supporting it with the traditional battery charging model will be challenging. The amount of charging infrastructure that would be required, both from the standpoint of charge locations as well as the unpredictable tax that charging creates on the power grid would make battery swapping a much better solution for large-scale urban adoption. To support this growth, we are growing in India. We have substantially increased our employee base in India and now have employees across most business functions: product development, supply chain management, manufacturing, business development as well as a variety of support staff from central functions. We'll continue to invest to grow our footprint in India and help India and local companies in their electrification journey. We welcome the opportunity to work with many different partners.

In another country milestone, which occurred in April, we launched a pilot in the Philippines with market leader Globe, Globe's 917 Ventures and the Ayala Group to provide Gogoro smart scooter and battery swapping services in the Philippines, and we expect to have vehicles available for both B2B and B2C consumers in the second half of 2023. The 2-wheeler market in the Philippines is quite large, typically approximately 2 million units per year or 3x the size of the Taiwan market.

In Singapore, Gogoro and Jardine Cycle & Carriage Singapore have partnered with food delivery platform, foodpanda, for a battery swapping pilot that will support smart electric 2-wheel vehicles for last-mile deliveries. Gogoro and Cycle & Carriage were awarded a battery swapping sandbox pilot for electric 2-wheel vehicles by Singapore's Land Transit Authority. Insights from the trial are being used to guide next steps to accelerate the adoption of sustainable mobility.

We're excited about these specific pilot programs and the transition they represent to clean mobility in many countries. Although our international markets have not yet contributed significantly to our revenue for this year, we're dedicated to building a strong foundation for growth in these areas. We remain committed to R&D investments to develop and diversify our product portfolio to meet the right price points in the international markets and to ensure that we are well positioned to capitalize on these opportunities. The key to expansion in these countries is vehicle cost and energy plan cost to consumer. These markets, including consumers and partners are extremely cost conscious.

I'm pleased that we're making great progress on developing vehicles that will hit the price points required for these markets. Depending on vehicle power, range and other factors, vehicles must be priced between about USD1,000 and USD1,500 per vehicle. We target to launch vehicles that are competitive to other ICE and electric products in the market in the second half of 2023 for each of the markets mentioned. We'll continue to provide updates as we can and plan for a variety of announcements over the coming months as these vehicles and services launch more broadly.

With that background, let me give you some details about our first quarter financial performance. Q1 revenues were consistent with historic seasonality and our own internal projections. We have intentionally taken a conservative view of Taiwan market growth, whether because consumer sentiment might slow due to macroeconomic challenges or because the ICE OEMs compete aggressively for customers. We do not expect much growth in overall or electric vehicle sales in 2023 and have forecasted accordingly. In the second half

of the year, we do expect sales of vehicles internationally and should see an associated pickup in revenue in the second half. The Gogoro network growth is consistent with an accumulating subscriber base.

For the first quarter, revenue was \$79.3 million, down 16% year-over-year and down 8.8% year-over-year on a constant currency basis. Had the foreign exchange rates remain consistent with the average rate of the same quarter last year, revenue would have been up by an additional \$6.8 million. Sales of hardware and other revenue for the quarter were \$47 million, down 27% year-over-year and down 21.5% year-over-year on a constant currency basis. For the entire powered 2-wheeler market sales in Taiwan for the first quarter were up 9.8% year-over-year, while electric scooter sales were down 1.9% compared to the same quarter last year. The growth in the powered 2-wheeler market was driven by substantial sales of new, heavily marketed, low-priced and fuel-efficient internal combustion engine scooter models launched in January 2023.

Gogoro vehicle sales volume decreased by 17.3% compared to the same quarter last year. This was driven by a combination of factors: delays in the announcement of city government subsidies, increases in internal combustion engine sales due to new product launches and aggressive pricing strategies, and in the case of Gogoro's sales drop, the emergence of the new, heavily marketed, low-cost, low-power electric moped in the entry market segment, which appeared to reduce Gogoro's market share. However, when viewed on a like-for-like performance basis, we maintained market share of 80.6%.

Battery swapping service revenue for the first quarter was \$32.3 million, up 9.8% year-over-year and up 19.2% year-over-year on a constant currency basis. Total subscribers at the end of the first quarter exceeded 538,000, up 15.2% from 467,000 subscribers at the end of the same quarter last year. Battery swapping service revenue increase was primarily due to our large subscriber base and the high retention rate of our subscribers. We continue to see the strength of our subscription-based business model to accrue new customers to maximize our battery swapping network efficiency.

For the first quarter, gross margin was 12.9%, down from 13.7% in the same quarter last year. And non-IFRS gross margin was 13.7%, down from 14.2% in the same quarter last year. The gross margin and non-IFRS gross margin declines were driven by a decrease in the average selling price of our product portfolio, together with higher production costs per vehicle as a result of lower volumes. The decline was partially offset by the improved cost efficiencies of Gogoro's battery swapping services operations.

For the first quarter, net loss was \$40.6 million, up \$18.9 million from \$21.7 million in the same quarter last year. The increase in net loss was primarily due to an unfavorable change in the fair value of financial liabilities of \$18.5 million. This increase in net loss was partially offset by the decrease in sales and marketing expenses as a result of a more targeted retail marketing campaign and reduced headcount compared to the same quarter last year.

For the first quarter, adjusted EBITDA was \$10.6 million, down from \$13.5 million in the same quarter last year. The decrease was primarily the result of non-IFRS gross profit decreasing to \$10.9 million, down 19% from \$13.4 million in the same quarter last year due to reduced sales volumes. The decrease was partially offset by the continued growth of Gogoro's battery swapping services business in the first quarter.

We reduced operating cash outflow by \$19.2 million compared to the same quarter last year through a tightening of our business operations and reducing working capital. As we execute on our international expansion strategy, we continue to make investments for growth, including a \$16.4 million equity investment; other operational investments in multiple expansion markets in the first quarter; and we'll continue to invest in growing our battery swapping infrastructure. We have paid back \$17.7 million in bank loans in the first quarter as part of our effective working capital and financing cost management. With a \$167.1 million cash balance at the end of the first quarter and additional credit facilities available, we believe we have sufficient sources of funding to meet our near-term business growth objectives.

For the full year 2023, we reiterate our outlook of revenue of \$400 million to \$450 million, and we continue to estimate that we will generate 90% to 95% of 2023 full year revenue from the Taiwan market.

With that financial update, I'll hand things back over to you, 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 their questions. I will ask 2 questions, which I think are likely on everyone's minds given what you just shared.

Okay. The first question will be on international markets and operational issues. You've made a number of announcements about expansion. Which of the international markets do you anticipate to ramp this year and which has substantial future growth opportunities for Gogoro. The collaboration with Enel X to turn your swap of stations into virtual power plant sounds very interesting and could be a game changer. But can you elaborate on the technology behind this in more detail?

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

Great. Thanks, Michael. I think this is important before I go into the specific markets in the question in Southeast Asia and also in India, it is important to really kind of understand our expansion process. I've always had a 3-step process in our global expansion. The first step, as you probably have witnessed in our most recent announcement, for example, we have announced 3 pilots just in Q1 and pilots before that last year. It is a 3-step process in which you start with the pilot where we understand and get data from end user feedback from the market locally. So we understand how to adjust our technology, adjust our product, adjust our offering and how to actually communicate our value proposition to the customer.

And the second step in the process is to expand out and grow out the network via B2B business model, where a lot of these B2B riders are very much based on [how things spoke] on riding patterns, where there we can reliably and with a very, very predictable income build out the network. And only upon a successful buildup of a B2B network do we actually grow and expand into a B2C opportunity in those markets. A great example of that is actually in Korea, a market that maybe we don't talk about very much. Today, after a very successful pilot, 1 year, 1.5 years back, we have actually exited out of our second phase of our pilot. And now there's over 70 stations in Korea in cities -- across 8 cities, in cities like Seoul, Sejong and Daegu. Those cities are very heavily densely populated.

Today, we have about 1,000 vehicles in Korea doing B2B delivery, including [on the] local DHL fleet with our battery swapping. And then we expect to have about 200 Go Stations by the end of this year to launch the B2C business with our partner. That's a great example as to how we took a 1, 2, 3 step process and reliably and predictably launch the network. Today, in the Philippines, in Singapore as well as in India as well as in Jakarta, Indonesia, with active pilot programs where we're just constantly gathering data, adjusting our design of our product to meet the local needs of those riders. And I hope that very quickly, you'll see in the second half as we launch vehicles in both the Philippines and also in India, 2 of the largest growing market in electric vehicles that they will actually prove out to be a very successful launch.

When it comes to the Enel X technology that you asked about, the Enel X technology, there's really -- in our -- we've always started our company with a thesis that we're more than just a mobility service for our battery swapping network. As Bruce has defined it a little bit ago, it's really a virtual power plant, a distributed power plant all throughout the city. The first phase is -- it's also, again, a 3-phase process for us to realize that vision. The first phase was something we announced about 2 years ago, where we actually started doing demand response, where when the grid actually requires people to stop charging or stop using electricity, we can actually remotely command via the server and smart meter stations that actually have extra capacity to -- and enough for riders to come to actually stop using power from the grid. So that was Phase 1.

Phase 2 is really around demand response. About [30 tons] a day in the Taiwan grid, usually the grid balance of 60 hertz. And sometimes it goes to [59.88] hertz very specific, 59.8 megahertz. Our stations will then actually push power back for about an hour. We have about 150 megawatt of energy on standby to do that with the power company.

And then our third phase and eventually, what we're going to do is actually do energy storage. With batteries are no longer capable of powering users to ride maybe with a family up a hill, but it's planning enough to actually serve as a power reserve, a large power reservoir for cities. And so we're into the Phase 2 with Enel X, and then we look to 1 day launch Phase 3 also as well as our capacity built margin.

Now with that technology, we are definitely on the leading edge of this technology. It is a world's first. And it is a great conversation as we engage with different governments across the world such as India, Philippines, Indonesia and even Singapore, as we discussed with them, how we actually play a bigger role not just to serve as electrification of mobility, but also converting electricity to smart electricity as city grows in the future.

I hope that answers your question, but we are -- our company is extremely focused on innovation and being a first mover in every category that we go into and look to these technologies to really materialize as we grow into much larger cities that, as Bruce mentioned, in India, for example, is 20x that of Taiwan in volume. And so we can only imagine the scale of the network and how much energy we can actually provide to electric grid as they transition from traditional electricity grid to now more efficient, smarter, more dynamic electric grid in the future.

Michael George Bowen ICR, LLC - MD

Okay. Great. So the second question, we will go to is more on the financial side. Can you help reconcile the downtrend in EV unit sales with a bit of growth in the ICE market in Taiwan? Do you see this trend continuing in the latter part of 2023? It sounds like from the call, the downside was expected and cyclical in nature. But then do you foresee second quarter and the rest of the year playing out relative to Q1 and how that might impact your full year guidance of \$400 million to \$450 million? So if you can help us understand your comfort with that guidance that we appreciate it.

Bruce Aitken Gogoro Inc. - CFO

Thanks, Michael. Q1 revenue was basically as we expected. Q1 is traditionally our smallest by volume seasonal quarter, both from a revenue standpoint as well as from a unit sales standpoint, typically contributing about 18% to 20% of full year revenue. So we're on track from that standpoint. Consumer sentiment in the first quarter due to all of the pressures in the macroeconomic environment, inflation and so on, also compounded by geopolitical pressure. We think that's what slowed purchases just a little bit. And in those challenging economic times, people tend to make conservative predictable choices in terms of how they spend their money. We do hope to see more people converting to electric in the second half -- in the second quarter and the second half of the year going forward.

We do expect in the second half to gain growth from international vehicle sales as we -- as Horace said, begin to see markets shift from that first stage of pilot into a more B2B deployment model. And so we're comfortable with where we sit right now from our guidance of \$400 million to \$450 million, and we do expect things to continue to play out as anticipated in the back half of the year as well.

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

All right. Thanks, Bruce. With that, operator, could you please open up the line for the Q&A session.

Operator

(Operator Instructions) Our first question comes from Ally Chen with UBS.

Ally Chen

Can you hear me?

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

We can hear you now.

Ally Chen

Okay. Thank you for sharing the progress of our alliances in each country. So I have a question for India. You just shared about the alliance with it. So how about the other alliances, can we have an update on the progress?

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

Thank you, Ally. This is Horace. So yes, as I said, as I mentioned, the first step is really to have a pilot that allow us to take lesson learned from these riders, learning how they use it, the low condition, the weather condition, the environmental issues such as dust, water, flood, et cetera, et cetera, we really educate us and our partners on what is needed to build a great product.

The second phase for us is really to launch a B2B program. Now our partners -- most of our partners that we're working with today are very B2C focused. And with that said, we're going to go with the B2B first where we can actually build a predictable network, a robust network with healthy riders on it and with healthy batteries and then open it up in the future for B2C. So long story short is that there -- our partners are still developing their vehicles. There are many partners there and talk with us about using our technology to actually develop their vehicle as well. But we're going to stay focused upon B2B because it's very -- India is a large place, 2,600 kilometer wide and 1,900 kilometer deep. And so we're going to actually go focus on major cities where we have a large demand from aggregators, license it and also for -- from businesses who are focused on delivery, such as Zomato, Flipkart, et cetera, to really help us build up the network first, and then we'll pivot to B2C like we did with -- what we're doing with Korea today.

Ally Chen

My second question is regarding the Taiwan market. Like you just mentioned the competition has become fiercer and with ICEs becoming more aggressive in pricing and also they are launched in entry-level products. So how would you plan to regain market share in Taiwan market? I heard you that there will be a new product in second half. Wondering if there is any other plan to regain the market share in Taiwan. And also when we launched the new products at entry level, will that have any impact on our margins?

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

Great. I'll take the first stab and maybe Bruce can take a second stab, if I don't answer all of it. Overall, we're very much focused on user experience. To us, it is not necessarily a price-driven decision for the customer. Usually, what it is, is a great better user experience, a healthier user experience for the customer. And so with that said, what we are doing in the second half is we're broadening our portfolio with a number of different partnerships as well as different products that we're doing as well as making the lead with products that they're better fit with a different market segment.

Now with Q1 results, I think there was -- as we said, it is a conservative time. There's a lot of noise about everything from [bank] failure to geopolitical tension that made the consumer make decision maybe a little bit more reserved. But however, as we look at Taiwan, the more [twine] for gas vehicle purchase is imminent. It will come. And there's a very, very clear target with the government that has put out to the public about how many percent they want to convert. And with that, they will put the right policies, the right incentives in place to push the customers towards making the right decision. So I think it's both a headwind of the moratorium as well as tailwind that we're putting in with better products and better innovation and better user experience that hopefully will -- today, like as Bruce said, we have a very healthy market share in electric, a little more than 80% when we look at the 125cc, 100cc class vehicle. We believe that will continue because our innovation is clearly in that space.

So we're very, very optimistic as to what Taiwan is today. However, for the year, we still want to be a little bit more conservative when it comes to our projection because you don't know what will happen. But we're very much focused on growing and stabilizing Taiwan market share as well as diversifying our revenue international. It is very critical for us to diversify into the international market with the proven technology we got. Lighting up these cities is actually quite quick. If you think about what we are, we are literally a distributed power plant that goes all around the city with stations that have energy storage within it that can distribute. When you think about power point, it takes 10, 15 years to deploy to build one. We have been able to successfully launch these pilots very, very quickly in Q1. And I think you will only see that progress accelerate throughout the year.

Bruce Aitken Gogoro Inc. - CFO

I'll just add a couple of comments about margin, Ally. In the first quarter, as you saw, margins down just a little bit, largely driven by low volumes in our manufacturing facilities as well as some ASP pressure as we intentionally look to broaden our offerings in the mainstream kind of market segments. In terms of going forward, there's a multiple -- there's a number of different ways we're working to ensure that margins stay relatively flat. We're increasing the use of consistent components across our entire vehicle lineup. I mean, that helps us to be more flexible in our manufacturing. We are increasing the operating efficiency on our Gogoro network as we become more experienced at running that network and experience efficiency there.

And then thirdly, we're just really cost conscious at the moment. We're engaged in belt tightening. We're engaged in tight control of marketing dollars to ensure that they're used effectively. We're looking at all kinds of different spending at the macro level. And then maybe the last thing we're doing also is really diversifying our supply chain as we localize manufacturing in different countries. We can

use some of those lower-cost products and bring them back to Taiwan for lower overall product costs. And we're finding benefits in places like India and in other countries from doing that. So we keep margin flat is the goal for the year.

Operator

(Operator Instructions) I'm not showing any further questions at this time. I'd like to turn the call back over to Michael.

Michael George Bowen ICR, LLC - MD

Okay. Thanks, operator. This concludes our question-and-answer session. But I'd like to turn the call back over to Horace for any closing remarks. Horace?

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

Great. Thanks, Michael. Our thesis as a company has always been an electric transition will occur, that it will occur fastest on 2-wheelers and that battery swapping is a solution that best meets the needs of urban customers, whether B2B or B2C. That thesis is not only intact, it is now becoming widely held among OEMs, governments and customers. I continue to be proud of and inspired by the work of all the Gogoro team members and partners are putting together in every day to contribute to a cleaner world.

Additionally, my thanks to all of our loyal Gogoro network customers for placing your trust in us and our solution. We're working tirelessly to ensure that we have a great customer experience. With the market shifting toward electric, the sentiment of 2-wheel electric vehicles is expected to experience rapid growth in the coming years. This transition is a critical and crucial move towards sustainable urban transportation. We'll continue to execute in Taiwan and international markets, along with our partners and lead the transition to renewable clean mobility in urbanized cities. Thank you, everyone, for attending today's webcast.

Operator

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

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