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Market Intelligence

# Fisker Inc. NYSE:FSR

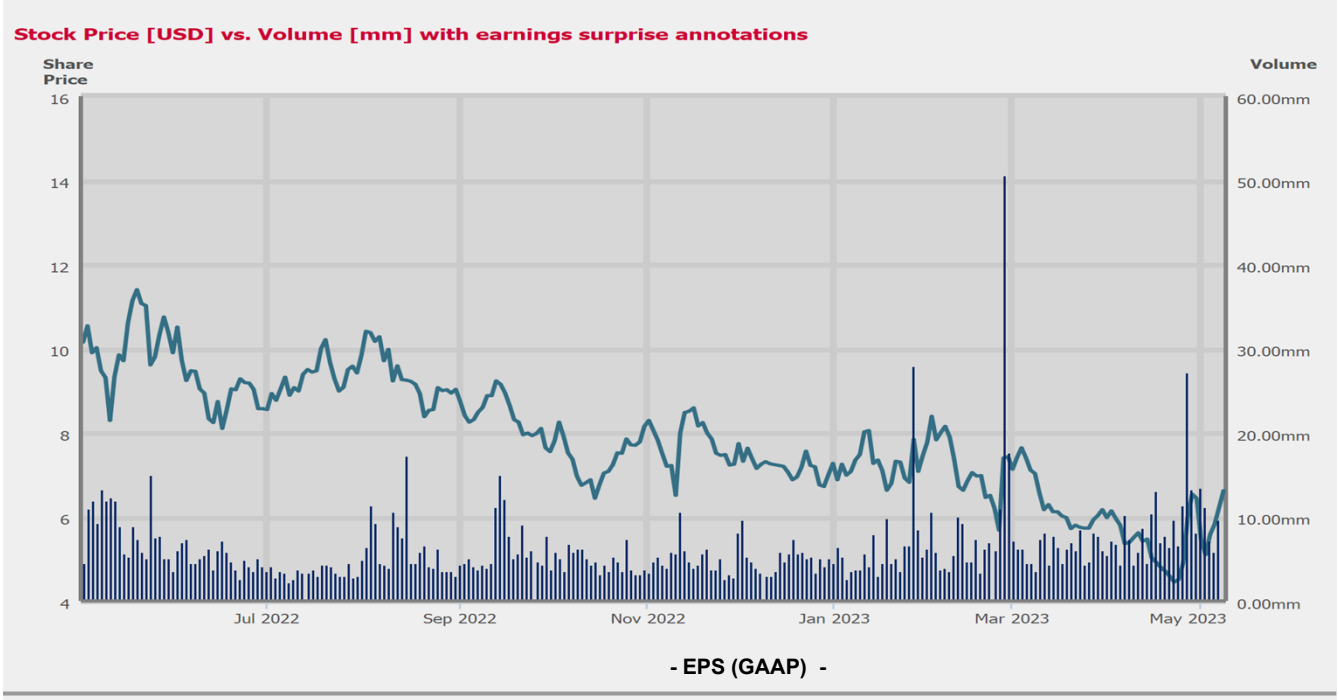
# FQ1 2023 Earnings Call Transcripts

## Tuesday, May 9, 2023 12:00 PM GMT

### S&P Global Market Intelligence Estimates

| | -FQ1 2023- | | | -FQ2 2023- | -FY 2023- | -FY 2024- |
|---|---|---|---|---|---|---|
| | CONSENSUS | ACTUAL | SURPRISE | CONSENSUS | CONSENSUS | CONSENSUS |
| EPS (GAAP) | (0.28) | (0.38) | NM | (0.28) | (0.67) | NA |
| Revenue (mm) | 2.52 | 0.20 | ▼ (92.06 %) | 311.64 | 2016.94 | NA |

Currency: USD
Consensus as of May-09-2023 4:18 PM GMT




**- EPS (GAAP) -**

| | CONSENSUS | ACTUAL | SURPRISE |
|---|---|---|---|
| FQ2 2022 | (0.40) | (0.36) | NM |
| FQ3 2022 | (0.42) | (0.49) | NM |
| FQ4 2022 | (0.38) | (0.54) | NM |
| FQ1 2023 | (0.28) | (0.38) | NM |

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# Call Participants

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*Chief Technology Officer*

**Frank Boroch**
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**Geeta Gupta-Fisker**
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**Henrik Fisker**
*President, Chairman & CEO*

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# Presentation

**Operator**

Hello, and welcome to the Fisker Inc. First Quarter 2023 Earnings Call. [Operator Instructions]

I will now turn the conference over to -- sorry, to Frank Boroch, Vice President of Investor Relations. Please go ahead.

**Frank Boroch**
*Vice President of Investor Relations & Treasury*

Thank you, Sarah. Hello, everyone, and welcome to Fisker's earnings call. As Sarah mentioned, my name is Frank Boroch, VP of Investor Relations and Treasury at Fisker. Joining me on today's call are Henrik Fisker, Chief Executive Officer; Dr. Burkhard Huhnke, Chief Technology Officer; and Dr. Geeta Gupta-Fisker, the Chief Financial Officer and Chief Operating Officer.

Please note that today's discussion includes forward-looking statements about our expectations. Actual results and future periods are subject to risks and uncertainties that could cause our results to differ materially from those projected. These risks include those set forth in the press release we issued earlier today as well as those more fully described in our filings with the Securities and Exchange Commission. Today's discussion also includes certain non-GAAP measures, including non-GAAP operating expenses. Quantitative reconciliations of our non-GAAP financial information to the most directly comparable GAAP financial information appears in today's earnings release.

With that, I'm happy to turn the call over to Henrik.

**Henrik Fisker**
*President, Chairman & CEO*

Thank you, Frank. Good morning, everyone, and thank you for joining us today for our first quarter 2023 earnings call. I want to thank all of our stakeholders and partners for their amazing progress we made in 2023. And specifically, I would like to thank all of our loyal Ocean customers for your patience in these last few months where we've been working through homologation and supplier readiness. We are excited to have made our first Ocean delivery in Denmark last week, and it was great to [indiscernible] journey as well this week, our multi-country launch strategy is starting to take shape.

Now with that, I just want to build off script a little bit and give you sort of the story of the first delivery in Denmark, which I thought was quite amazing. And it does have a kind of a reason as we live in the sort of strange times where somebody can write an article, even from a very well-known news outlet without necessarily having the facts and suddenly have a huge impact on a company like ours because when, for example, Bloomberg writes something, then obviously it gets copied by a whole bunch of other sites thinking in and taking for granted that it's the truth.

And of course, it's very hard to strike back at something like that. However, when I launched the first car or actually [ to limit ] the first car in Denmark, I went there, super excited and that was before this article came out, which claims that there is a software that makes our cars go slow. And of course, I could sit here today and say I have been initially driving on a test track, 125 miles an hour and somebody will probably say, "Well, that was probably a test drive." I could also tell everyone that a couple of weeks ago, I drove from Los Angeles to San Francisco at about 70 miles an hour on public roads. And of course, again, somebody who said, "Well, is that really a customer car." So we delivered a customer car on Friday last week to a customer. And I asked that customer if I could take out the car because there was a Danish TV team, Television team with some [photographers], and they said, yes, I could borrow it for that television. So I went on the street with a [indiscernible] camera. And within half a mile, I got flashed, and I had speeding ticket. So I would never have thought that such a speeding ticket would maybe have a value today because I probably want to get -- [ wanted to probably get that ], which I fortunately have to tell them you're getting a speeding ticket together with this car and you probably will get that in a couple of weeks, of course, I told them I'll pay for it.

And now, of course, I told them I would also like to be sent it to me, so I can post it online to show that the car actually is driving fairly fast, maybe sometimes faster than this should. But it's kind of sad that we need to be at this point in time, where they have to put speeding tickets online to refute such a ridiculous article. So I just kind of want to start with that, and then I would like to get on to some more serious business. So let's get on to that. In 2023, it's an important year for Fisker as we work to ramp up production and customer deliveries.

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We now have almost 1,000 people, more correctly, I think 940 or so people in the Fisker team, and they're all working hard on various initiatives to support our successful launch of our class meeting [disclosure] and they're working with things such as trading, after sales, service, repairs, charging, et cetera. So everything is set up for a seamless delivery of our vehicles.

So our unique asset like and ESG forward business model offers us scaled benefits by leveraging our world-class partners, we are able to provide our customers with broad coverage and reach from day 1. And we are super excited to shift gears from a startup into a phase of becoming a revenue-generating car company, and that is happening as we speak. So our direct-to-consumer sales and service network supports acceptable customer experience. Last month, we started welcoming customers at our Vienna and Copenhagen Centers+.

This week, we had operated 2 customer locations in Munich, a showroom and test drive facility at Motorworld outside Munich and our flagship Lounge located in City Center. And it was actually great because I was there in person, and I was able to look at potential customers that fortunately, maybe didn't know me so it's kind of cool to just see how they interacted with the car, the excitement about the vehicle, getting to sit in the vehicle, but I also have the chance to actually shake hands with a few customers, [indiscernible] feel like German and talk to them which was kind of cool. So it's really great to see the interaction for the first time, real people coming into a store just fantastic.

And of course, in the coming months, we are going to start holding more and more customer centers, lounges, promoting our lounge in L.A. later this month. And we're also going to again start a top-up with where they're going to be products all over Europe and the U.S. where we're going to start offering test drives. So for the first time, we're really actually going out to sell this vehicle and really have our customers experience the real production vehicles. So I think this is the most exciting time so far in our history.

So all in all strategy supports a robust network of Fisker certified technician and service centers to complement Fisker's own service and retail operations. For example, in Scandinavia, where we made our first delivery, our customers will have Fisker center classes in Denmark, Norway and Sweden. In addition to Fisker mobile technicians backed up by multiple service partner locations in each region, which [indiscernible]. Over the quarter, we announced our Deftpower, a European public charging partnership which complements our legal partnership in Europe. And when combined with ChargePoint's network in North America, that will provide Fisker Ocean customers with access to over 600,000 charging points. So I don't think our customers are going to miss anything in that regard.

Let's go to Ocean update, underscoring our intense focus on preparing for the production ramp and ensuring we deliver the highest possible quality from -- from the Ocean from day 1, I along with other senior leaders have been based in Europe for the last couple of months, working closely with all our partners. I spent a lot of time on the production line of Magna and saw a first hand, one of the amazing joint team we have that works under Ocean. Just a couple of examples. It takes the robot [indiscernible] specifically for $600,000 we bought it, and it takes it only about a minute to install the battery was just a super cool. I've shown it a couple of times myself on media, but to actually see that in reality is just amazing. There's also another robot that actually installs both the EDUs versus the motors and everything around them [indiscernible] in less than a minute. So it's amazing to see what the possibilities are once we go into a high-volume manufacturing. And obviously, the Ocean is perhaps the only 2 high-volume EV from any EV start-up, in the last couple of years that has been launched. So I'm super excited about that. It's really is a vehicle that built for high volume. Our #1 project is launching and ramping a high-quality Fisker Ocean with class leading features and range.

And as you know, we do have the longest range in Europe of any SUV. We are excited to have begun initial deliveries in Europe, which will be followed by a fast ramp and I'm eager to get the Ocean enhanced for our U.S. customers as well. Once we have the regulatory certificate of EPA complete, which we expect to have this month, I mean I actually expect this in a matter of days rather than weeks because we have already delivered a vehicle to EPA and they have already confirmed that they have done the testing. And just going back to Europe, obviously, we have everything done here. All our certification has done. Same in the U.S., actual all the certification is done. So in Europe, when we start we fully scaling up production next week, we now start ramping up full speed.

Then of course, we still get that, we'll start more deliveries here in Europe. After having driven the car on the road, quite a bit over the last few weeks, including driving it with our first customer. I can't say how truly amazing it is. It's just unbelievable on the handling. I can't tell you because this is the first car , as actually perfectly said that the [indiscernible] was changing this [indiscernible] for the Fisker road [indiscernible] drove better. So I'm super excited about that rate is directly from the customer's mouth.

So I'm just saying that he was telling me and he was definitely ecstatic about it. So as we have mentioned previously, while we will prioritize our Ocean One Extreme trends throughout most of 2023, we have recently produced several Ocean Ultra and Sport trims on the production lines of Magna and we want to ensure production readiness of those trims ahead of time, and we do anticipate customer deliveries on those trims will begin in September, and that's what we always plan and that hasn't changed that we will start the first deliveries of these variants in September.

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And of course, that means we will be incredible price competitive once we put these vehicles on the market. The Ocean demand remains strong, and we continue to make awareness through the organic marketing efforts that I just mentioned before. And of course, that's going to be even stronger once we taken the cars on the road, I think [indiscernible] you're going to see that we are going to have a big increase of reservations.

At this point, the network base on orders totaled approximately $65,000 for the Fisker Ocean and I guess flat is the new up in the terminal start of 2023 when we saw a competitor price cost and turmoil in the financial sector. So I'm very happy that we have stayed on that element. So those who may have given up their reservation as you need to be somebody else to take it over, which I think is really really cool. And during this turbulent period, we remain disciplined with our marketing spend.

We'll continue to spend wisely and utilize target support as our vehicles hit the streets as consumers learn more about the Ocean, we expand deliveries, we expect increased brand advantage to drive even more customer consideration demand for the Ocean. I fully expect by the next earnings call that we again will have quite a steep rise in the reservation is more with the market to this vehicle. We continue to showcase Ocean through a variety of brand building activities. Since our last earnings call, we appeared in events across France, Norway, United Kingdom and the United States.

I [indiscernible] back from also last week, where I spoke to the Nordic EV Summit and shared our vision, our clean culture for all and how Fisker is ready to disrupt our loaded world by creating the most emotional and sustainable electric vehicles, it was exciting to see the consumers reaction in Norway as well. And then Norway, of course, is our #1 EV country here in Europe in terms of reservations. So we're eager to get started there as well, and we see a huge potential in that as well. I'm also going to speak here at the Financial Times Future of the car summit in London tomorrow, and we're going to be discussing the industry, the challenge of [indiscernible] automotive ecosystem, et cetera. So I'm looking forward to that well.

We have got recognition for our Class B Fisker Ocean already last month, so we won the internationally recognized Red Dot award for outstanding product design. This award evaluates vehicles based on design, qualities, production, function and aesthetics, ease of use and responsibility and sustainability. So we are honored to see the Fisker Ocean getting recognized with this design community. We also have a large retail total addressable market in both Europe and North America and growing appeal for fleet customers as well. So our innovative partnership with Ample, which we just announced, will first target only the fleet market with battery swappable Fisker Ocean vehicles by Q1 2024. That's quite soon.

So knowing the base purchase price and increasing EV production is active the goal of this. And of course, we are entering in a new segment as we have been in talks about a potential large order possibilities in the fleet market if we were able to adopt such a swappable battery strategy because that's specifically this table towards certain fleets, and we'll talk about that a little more shortly when we get more, I would say, definitive on some of these orders, et cetera.

Now let me talk a little bit about the PEAR and some future product updates. The PEAR program design engineering continues to progress well. Consumer interest in the revolutionary PEAR continues to grow, even though we have only revealed limited sort of some actually limited [indiscernible] or [indiscernible]. So current PEAR reservations now exceeds 6,000 reservations. The IRA has had some profound impacts on the EV manufacturing in the U.S. We have done an expensive diligence on the supply chain in order to ensure we can capitalize on the new clean vehicle credit program and multiple source certain components such as batteries. And we are working towards a U.S. based battery manufacturing solution, this [indiscernible] is necessary to take full advantage of these incentives.

And obviously, having a vehicle in this price range, then these incentives become steer more important. So we also continue our work with Foxconn and finalizing plans for an innovative manufacturing setup that will be required for the uniquely engineered PEAR. The PEAR design and engineering has been focused on reducing parts while avoiding expensive aluminum castings. We are focused on our new strategy we call steel ++ that has enabled us to reduce parts by about 25%. We are retaining the radical exterior and interior design with the unique customer features, while [indiscernible]. And we are also confirming as all development and now got more detail with cost of parts, et cetera, we are able to confirm the $29,900 starting price. And honestly, if there's 7,500 discount on top of that, then you're looking at $22,500. I think then you really got, I would say, as in your hand when it comes to an amazing EV for $22,500.

[indiscernible] in the start of early 2025. So we have shifted in a few months out. I think that was necessary to make sure we get this battery manufacturing done in the U.S. So in today's earnings release, we announced we will be adding an optional hard core off-road package for Ocean called Force E. And I just want to mention that because that's actually a package that will be available already this year even to people who have already purchased the Ocean. So it will be amicable on all the whole wheel drive versions. And I think this is going to be super exciting in this vehicle. This will move the Ocean into a new market segment with few direct EV competitors

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at our price point. The Force E [indiscernible] is headed up by our Senior VP of Engineering, David King who had an early career in off-road rally driving and was a national champion pool driver as well. So I can guarantee you, this Force E will be quite a beast.

And I'm really excited by showing it by the way. And we will be sending out some images later today, so you can see how cool it is. I think it's really going to offer something unique in this segment, which is not available today. And I think being able to drive zero emission in nature is even cooler.

Now finally, I'm really excited about this year as well. We are planning to showcase our future product portfolio with several drivable prototypes at our inaugural investor event on August 3 this year. So we're in the middle right now of designing and developing and constructing these vehicles, and I can tell you this is going to be something else, quite a thing. And we're also going to be unveiling the radical PEAR as a fully drivable vehicle. You'll see the interior, the exterior, you'll see all the proven features that have never been seen before in any car. So I'm super excited about that. And I think we'll send some shock waves throughout the auto industry when we start unveiling our future model lineup, which really will [indiscernible] growth strategy we have in our product strategy, which I actually think is unparallel and maybe one of perhaps the strongest points at Fisker that every single model that we're showing you would have something unique in segment and almost redefining the segment.

So with that, I'm super optimistic about Fisker's future and realizing our [indiscernible] a key future growth, and I'll now turn it over to Burkhard, our Chief Technology Officer.

**Burkhard J. Huhnke**
*Chief Technology Officer*

Thank you, Henrik. Beginning with the Fisker Ocean. I'd like to begin by providing an update on our dual continent homologation process. We are the only startup that has homologated [indiscernible] in both North America and Europe. We believe this will prove to be a critical advantage in our growth strategy. However, this has not been an easy task as there are over 100 regulations and [ 380 varied ] tests.

One of the key milestones in the past few months was the Fisker Ocean Extreme, achieving the combined WLTP range of up to 707 kilometers or 440 U.K. miles for the 20-inch wheels and tires. 701 kilometers or 436 U.K. miles for 22-inch wheels and tires, both these results mean that Fisker Ocean has the longest range of any battery electric SUV sold in Europe today. We're extremely pleased with these results. The findings significantly exceeded our previous estimates of 630 kilowatts.

What most -- was most impressive to me was a minimal range difference between the 20 and 22-inch tires and wheels, that's less than 1%. Such a small range difference is a testament to Fisker's engineering collaboration when developing specific tires and aerodynamics for the Ocean. But I'd like to congratulate the team on a job well done. We look forward to getting the official EPA range results and anticipate these will meet or exceed our estimated 350-mile range for the Fisker Ocean Extreme.

We delivered our first vehicle in Europe last week and now have approval to sell in well over a dozen European countries. The U.S. approval process is progressing too. We completed the U.S. Federal NHTSA self-certification and the EPA completed its confirmatory testing at its lab in Michigan, and we are now waiting for the EPA test results to confirm our test results performed by a third-party [indiscernible]. We are intently focused on the [indiscernible] EPA and CARB approval, which we expect this month.

I'd also like to point out that while our focus has been on launching the Ocean One Extreme trend, we have continued to make progress on the Ultra and Sport trims as well. We've produced several units of the all-wheel drive Ultra and the front-wheel drive Sport, which are being used for internal testing with homologation expected to start this summer.

Functional safety implementation has been a critical area of focus for our team. We don't want to risk anything when it comes to launching the Ocean. We want to release the product that is reliable from day 1, so we must make sure that everything is 100%. We completed the U.S. FMVSS and NHTSA testing requirements in the U.S. and internally validated European NCAP. The Ocean has proved to perform at the highest standards, and we are very proud of these results.

As I had explained in the last earnings that I have been spending time hardening the software in the vehicle and ensuring we have all the diagnostics for high volume, inline commissioning and end-of-line testing. Specifically, we worked on fine-tuning for our management and network management and optimal powertrain integration for a seamless customer experience. We run bug bashing and validation spends to get the architecture ready for the automated production process, including diagnostics routines and flash procedures at the production facility and although -- also over-the-air updates.

Great efforts have been spent on the acceleration of automated calibration routines at ADAS components, especially the 4D radar systems to be successfully adjusted to [ protection tact ]. As the vehicle has increased software and we expect improvements over

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time with software enhancements, the key areas have been software configuration management. We rely heavily on our supply chain partners and have been codeveloping the process to receive final mature parts from ECU suppliers. Acceptance testing and ensuring all cars have the same configuration. Unlike the hardware aspects of a vehicle, we expect continued innovation and progress with the vehicle software. We have taken advantage of these past few months to deep dive into all possible customer scenarios. Deeper, we perform additional testing to provide customers with the best experience upon delivery.

For example, we are running cars in multiple fleets in the U.S. and EU for functional validation and to identify customer [indiscernible] and further improve that experience. These fleet programs are very beneficial to identify customer relevant integration issues as quickly as possible. So in daily sessions, we are reviewing issues or concerns and review software updates to refine the experience. We test already have updates and to ensure the pipeline resilience. This is a phase every car manufacturer goes through with the difference that we have full connectivity and can react immediately. Now we have extended our program to early customers and even get their feedback. This process allows the hardening of the software in the field.

That being said, the software of the vehicle will never truly be done as there will always be room for -- to improve functionality and implement new features. We plan to launch over-the-air updates over time to continually improve the customer experience and product performance.

I'm particularly pleased with the implementation of the Ocean's infotainment system. We greatly simplified the controls, creating a straightforward experience switching between different settings, functions and features. I find the infotainment system to be very unique in our car. And then all of the implementation and easy-to-use nature and great functionality.

Let me also highlight this studio sound system level, which has been integrated into our multimedia experience, which delivers a rich, immersive sound.

Now let me provide an update on PEAR. As we start to shift focus to PEAR, we can use all our experience to create the next generation of mobility. And I'm looking forward to sharing more details when we live at our product day event on August 3 this year. The PEAR body structure will fulfill the 25 highest global safety standards, U.S. NCAP, European NCAP, Chinese NCAP, IIHS Top Safety Pick and is competitive in NVH durability and functionality.

Compared to Ocean's multi-material body structure, the PEAR body structure gives us a different approach for more sustainability, less parts. Less parts will mean less mass, less cost and less CO2 from transportation. We're also looking to increase the amount of recycled steel by mass. Based on our engineering study, this will yield a significantly lower common footprint than the typical energy intensive aluminum mixes. We're taking our emphasis on sustainability and reviews to the next level by introducing a scalable, reusable embedded electronics architecture in PEAR.

This will be paired with an advanced software architecture, creating a highly scalable software-defined platform. This platform is also designed for much faster data speeds and wireless connectivity than the current generation. This platform will be easier to adopt into all our next-generation vehicles, driving cost and quality benefits for the reuse of hardware and software across our entire product line.

We're already building key performance computing electronic components and software in-house. In-house electronics and software development will enable Fisker to deliver highly differentiated user experiences and connected services throughout the lifetime of the vehicle.

We have a talented and growing team of engineering software experts in-house, complemented by world-class partners. The Fisker Ocean is a complex vehicle with the breadths of attributes and capabilities. And the final product is incredible. I'm excited for all our customer to finally have the opportunity to experience these features too. They're very well positioned to support Ocean maturity and our upcoming retail platforms, including PEAR. Thank you.

I will now turn the call over to Geeta.

**Geeta Gupta-Fisker**
*CFO, COO & Director*

Thank you, Burkhard. Good afternoon, good morning, everybody. Around 3 years ago, when we had planned an IPO through a merger with the Apollo's pack, we had a vision. We had a vision with a great product in the Fisker Ocean, and with that vision and our asset-light strategy, at that time, we had to form a platform, engineering partner and a manufacturing partner create a supply chain and ramp up supply chain, create a validation and testing plan to achieve homologation and certification and a robust product create a customer base with retail and sales channels, a 2023 ramp to a high-volume product, grow the company whilst achieving these milestones and ensure we have sufficient funding along the way to achieve all these things above. And that's only 3 years ago.

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In 2020 and 2021, with the advent of several new start-ups ready to conquer the EV market and with the availability of capital on Wall Street, it all sounded very, very easy. The last 2 years have not been easy for anyone, but it has separated the real scalable businesses from PowerPoint slides. Global pandemic, geopolitical events, elevated inflation, rapidly rising interest rates, unstable supply chain, market volatility, [indiscernible] capital markets, product price wars are all extreme events that have tested our resilience, our ability to navigate through volatility and deliver what we set out in 2020.

The barriers to entry are high in this business. And what we set out to do is not difficult, it is almost impossible. What have we achieved till date? We have created an amazing product as both Henrik and Burkhard explained with differentiated features, and I cannot wait for our customers to experience those and for us to scale up. Product is the ultimate foundation of innovation and disruption. A differentiated, exciting and unique product portfolio and features is a unique skill set. And this is Fisker's intellectual property of phenomenal product, and we are really excited to show this portfolio in the summer, and this is what differentiates us from other players.

We ultimately created our own flexible proprietary platform that will hold 7 new vehicles in the future, and it can also be licensed to other OEMs. With such an exciting product, we also managed to energize a world-class supply chain to join our mission, which is also an extremely difficult task to do during these times. Whilst every company has had supply chain issues, so have we, but we always found ways to work through them and we continue to do so, and I will give some examples later.

With a world-class leading emotional product, we organically built a highly engaged and committed customer base that stands at 65,000 today, and we're really proud and grateful to our loyal customers. And we will continue to grow the enthusiasm through our digital experience in super exciting, super fun retail stores. We recently opened 4 EU locations, and I've got a chance to visit 2 of those in Munich, in Germany and one of those, of course, in Copenhagen. And we expect to grow this to over 25 locations by the end of this year.

With European homologation and certification completed, we have now crossed the final hurdle to commence sales in Europe. U.S. is close behind. These are significant and major milestones that everybody underestimates, but what they should be seen as crossing major barriers to entry that only a handful of companies have achieved. We have now the license to sell cars, as Henrik mentioned. We registered our first 2 vehicles in Germany and Denmark, 2 of our key large markets. We're now preparing to receive parts to build marketing and customer cars later this week for second quarter. We expect to produce 80 cars a day during the last week of June, which should ramp up on a weekly basis throughout the year with our run rate. It's easy to forget where we started, what we have achieved and where we are today.

Now our final hurdle amongst all those different milestones I talked about is to achieve a 2023 ramp, which requires us to ensure that both our supply chain and manufacturing partner ramp-up, so we can deliver high-quality cars to our customers for a great experience. I would like to thank all our suppliers and our manufacturing partners because they have come through with us in these tough times. They're world-class leading partners. What we are setting us up is the maximum run rate and achieving a high-quality production that can be scaled up.

Last year, I had outlined our 4-stage production ramp-up plan that would take us from SOP through full high-volume lean manufacturing and target the run rate in excess of 50,000 units annually achieved over roughly 4 quarters. Just to remind everybody, Stage 1 was expected to last through the end of March 2023. Just to tell everybody what happened during Stage 1, we secured quality and capacity readiness on 78% of all supply chain parts as a majority of our suppliers integrated production tools into home to meet the production ramp. However, we did have challenges, and let me explain you some of these challenges.

We had 2 challenges with specifically one Tier 1 supplier that requested additional time for tool integration as their tooling vendors had setbacks due to bankruptcy in Europe or late tool completion. However, we understood the situation, and we handled the situation with tact and speed, and we took the responsibility in our own hands and entered into direct negotiations with the insolvency receiver to free our tools. We resolved the release of our tools and our Tier 1 supplier has now confirmed that they will be able to meet our new forecasted volumes. We're actively working with those suppliers and our specialists and are managing these with Tier 1s to make sure we have no disruptions in our production schedule

Tasks for teams were deployed to secure the remaining suppliers during Q2. We also had a handful of suppliers who have requested more time for industrialization and high-volume ramp-up, specifically in areas where there are safety critical parts and we're working with these suppliers to ensure that they need our adjusted volume forecast in a timely manner. We have over 90 ECU suppliers that have to achieve both hardware and software readiness as Burkhard talked about hardware and software configuration. In addition to hardware readiness, software from each of these suppliers have to be validated at Magna Steyr hardware in the loop and at the vehicle level prior to suppliers receiving approvals to industrialize the component software for product part approval integration.

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We have requested several suppliers and they're working on site, while some of the others that are not so critical are managed by our material planning and engineering teams to ensure the right hardware-software combination is present and the parts we have for production is the latest release level for the vehicle. Burkhard referred to hardware-software configuration management. This is a Holy Grail of what the new software-based cars are dependent on. I'm very pleased to announce that Fisker will collaborate with ServiceNow on a new solution for the modern software-driven car, which requires an innovative hardware-software configuration management platform for the big data era, both when we produce cars but also when they're in the field and we do over-the-air updates.

We have implemented pre-ramp quality audit processes where we verify critical commodities prior to the incoming parts inspection. In the QA stage, we have found cases where suppliers did not need design specifications, which triggered a 5D loopback process that the SQA and supplier team implement to close out all open QA items. I know it's boring, I know nobody realizes this is critical, but this is what it takes to create a high-quality product.

With supply chain disruptions easing, many large suppliers have managed to adjust for reduced input cost recently and started passing on the benefits as they have built-in mechanisms, including built-in mechanisms within our contracts. Some suppliers who did not manage their forward purchase well are still figuring out how to adjust pricing. But in Q3, we should see an overall reduction in input costs from continued improvements in commodity and logistic prices. While all our battery raw materials prices are down meaningfully from peaks, most notably lithium carbonate is down over 50% from our last time earnings call and of more than 70% from recent peaks.

We continue to work with our supply chain to ensure we remain competitive in our cost and offering to our customers. Just this morning, before this earnings call, I had an extremely productive meeting with CATL, our battery partner, who continue to support us, and I'm really excited to say that I'm visiting them at the end of May and at the beginning of June to discuss how we can consolidate our partnership if we needed to increase capacity, how do we work with them on our PEAR program.

Our digital direct-to-customers approach is a differentiator and enables efficient sales and distribution costs, which are essential for delighting our customers, connecting with them and their vehicles when and where they choose and supporting the flywheel of profitable growth from an early stage. We continue to enhance the Fisker web and app platforms to allow customers to seemingly purchase their vehicles. Just want to remind about our Chase partnership in the United States and Santander in Europe.

Digital functionality will expand in the coming weeks in alignment with our production ramp schedule for both the purchase journey and ownership experience and support. I think we have the best configurated product out there, which really leads to an emotional engagement with the product digitally. For example, the Fisker web digital platform that will be released in the coming days will allow our customers to seemingly purchase vehicles online, including financing, insurance, delivery or pickup, scheduling and tracking, title and registration, which make -- truly makes this a digital platform. Final sale completion, service and roadside assistance scheduling will also be available.

And finally, we're excited to release the ownership and connected vehicle experience through the Fisker app later this month as well.

Now turning to the numbers. Q1 results, balance sheet 2023 outlook. Due to our updated homologation timing and supply chain limitations during this launch period as I described above, we have updated our 2023 production forecast to a more conservative forecast as we build shift to the right. First quarter revenue totaled $198,000, largely driven by sales of the Fisker-branded home charging solution as a partnership with Wallbox and through merchandise. The decreased quarter-over-quarter is due to reduced sales of Fisker-branded home chargers compared to Q4, where we, of course, benefit from early adopters, which -- who are eager to outfit their garages during holiday shopping season. And as we're launching cars and customers are converting their registrations into orders, I expect this to pick up as we deliver more vehicles to the customers.

Our Q1 operating expenses totaled $121.6 million, R&D SG&A had some nonrecurring launch milestone accruals which reduced the run rate for these line items over the balance of 2023. Loss of operations was also $121.6 million.

Net loss totaled $120.6 million or $0.38 loss per share, a modest improvement from last year's net loss of $122.1 million and $0.41 loss per share.

Capital expenditures came in at $45.7 million for the quarter, stable year-over-year. Our balance sheet remains solid as we have shown discipline over several quarters as a public company. We finished Q1 with $652.5 million in cash. This excludes $22 million of pending VAT receivables, and I expect these VAT receivables to come in, in the next few weeks, and these will go down as we finish our tooling expenditure.

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During the quarter, we brought in approximately $47 million from our $350 million at the market equity program, which is part of our $2 billion shelf. In addition, we regularly monitor all funding channels and evaluate opportunities across the full spectrum of debt and equity instruments in order to maintain a prudent liquidity profile and appropriate support our asset-light model.

Turning to our outlook. As noted in today's press release, our overall non-GAAP SG&A R&D plus CapEx guidance for 2023 remains unchanged at $535 million to $610 million. This is consistent with our expectations provided last quarter. This guidance benefits from our asset-light business model and disciplined cost management, while at the same time, supports our prudent investment plans. Should circumstances warrant, we have already identified very strategic cost down levers that we can exercise.

We now expect to produce between 1,400 to 1,700 vehicles in Q2, and that's provided all our suppliers can support this volume. We shifted our March, April volumes to the right due to homologation timing and supply chain limitations, especially with regards to interior parts that were impacted by a Tier 2 tooling suppliers bankruptcy, as I explained earlier.

Fisker expects to have a steep ramp up this summer, and we expect to end the third quarter at over 1,500 vehicles built per week, equating to over 70,000 annual run rate. Accordingly, we're revising our calendar 2023 production guidance to 32,000 to 36,000 units as conservative numbers, provided all our partners can ramp up with high quality and high volume. We still maintain and anticipate gross margins for the full year 2023 in the 8% to 12% range and potentially positively adjust -- positive adjusted EBITDA provided input costs do not change drastically.

The Fisker team is now represented in 11 countries and counting as we prepare to deliver Ocean One to all our launch markets and set up the infrastructure for the next wave of countries we will enter. I'd like to close by thanking our incredible team members, our partners and our suppliers for their hard work and dedication, bringing an amazing vehicle to market despite many external challenges. We're fundamentally agile, and we make quick decisions.
We're now happy to take your questions. Operator, could you please go to the first question?

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# Question and Answer

**Frank Boroch**
*Vice President of Investor Relations & Treasury*

Well, for the Q&A session, we'll start with some of the retail questions that were submitted over the [indiscernible] platform. So the first question, in light of the low share price, what is Fisker doing to increase shareholder value and instill confidence. Henrik, do you want to take that?

**Henrik Fisker**
*President, Chairman & CEO*

Yes. Thank you, Frank. I think we're trying to be as transparent as we can. And of course, we can only bring out the news when there are news, and I know a lot of shareholders would like to see us send out press releases every second day. That obviously isn't possible because sometimes you do need to finish certain milestones before we can do it. But I think we're extremely active, we're agile, we're moving fast.

And of course, the next step now is really getting the cars on the road. That is what's going to bring value to our shareholders. That's where it's going to bring confidence in the market. But it also has to be high-quality vehicles, and it has to be a high-quality delivery. And that's why we started out with a couple of deliveries to make sure that the entire process works because once we're off and delivering 15 of 100 vehicles a week, we need to deliver vehicles super fast. And we do have examples where that was an issue. So we don't want to run into any of these issues that we can't deliver the vehicles we can produce. We definitely have the customers. We don't have to worry about that.

Secondly, I just want to say that part of building this investor conference. Once we're out in the market with these vehicles and are showing continuous deliveries and production through June and July, we decided to have our investor or shareholder called an Analyst Day on August 3 this year. And I can tell you that will blow everyone away, it's never been seen before, the type of product display we're going to do or show on August 3. I'm in the middle of together our teams to develop these vehicles right now. They're going to be stunning. They're going to be amazing. There's going to be nothing like it. And I think this will finally show that Fisker have a completely different path and a completely different market opportunity with our future product strategies. So I'm super excited about that, and I'm sure that's going to build investor confidence. I know Geeta wanted to say a few things about that as well, Geeta?

**Geeta Gupta-Fisker**
*CFO, COO & Director*

Yes, as CFO, absolutely for all our shareholders, there's nothing more than I would like to see our stock price higher. Of course, I would like the market to recognize the true value we have. I took everybody through the milestones we've achieved. And sometimes you wonder that when we went public, we hadn't achieved all of this. And today, we've achieved all of this, and we still report a phenomenal cash balance, and we're about to generate revenue. I absolutely understand what our retail shareholders are asking and that's exactly what we're doing.

What we need to do is we need to remain laser-focused to deliver, and we need to deliver high-quality cars. We need to deliver on the production ramp. We need to support our suppliers, and we need to keep our head down and we just need to deliver the rollout plan for the Fisker Ocean. We're working extremely diligently sometimes 18, sometimes 20 hours a day, sometimes no sleep to ensure the highest quality product and customer experience from day 1. And frankly, I think if we keep executing on our model, on our asset-light model, the market will recognize the share price.

I also mentioned earlier that there's a fundamental difference when you're developing and you don't have the license to sell versus when you have the license you sell, you truly become a car company. And I think with that, we would expect the market to reward us for our resilience, for our hard work, for the great products we've launched.

**Frank Boroch**
*Vice President of Investor Relations & Treasury*

Thank you. Operator, now let's turn to the phone line questions, please.

**Operator**

[Operator Instructions] your first question comes from the line of Chris McNally with Evercore.

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**Christopher Patrick McNally**
*Evercore ISI Institutional Equities, Research Division*

So 2 questions. One is going to be on production and then the second is going to be on Foxconn. So Henrik and Geeta, the updated production cadence seems to make sense. About 1.5 months is the way I calculate it all from the February discussion, obviously, homologation was delayed. We've talked about that. Could you just go into if there's any other outside issues, Geeta, you mentioned the Tier 1 over the last 2 months, it's been rectified. Is there any other issues between now and sort of that June into September ramp where we sort of have high visibility into the 6,000 per month?

**Geeta Gupta-Fisker**
*CFO, COO & Director*

I think, Chris, I just want to remind you that we all, of course, need U.S. EPA, which we do expect to come in. So I just wanted to remind you of that. But from our point, besides the topics that I've mentioned, if those go to plan, we see no other impact, no other issues.

**Henrik Fisker**
*President, Chairman & CEO*

Yes. Maybe I can touch on the Foxconn side. As we move further with PEAR development, we actually came up with some phenomenal ideas to take further cost out of the vehicle. We do have an incredible innovative engineering team. And obviously, they've learned a lot during the Ocean development, and we've put some of those learnings into the PEAR specificity of how to reduce parts. And I know everybody is talking about Giga castings, but nobody talks about how much they cost. And what's going to happen when you crash a car with such a casting. So obviously, if it's an affordable car, you also want to be able to insure it affordably and you want to be able to repair it.

So we came up with this phenomenal concept which we call steel ++. But it also means we have to do something a little unique when it comes to assembly. So that means it took us a little longer to kind of look at that. We do have, of course, a manufacturing team now that will look into that together with Foxconn.

Also, as I mentioned, the IRA means that we do have to make batteries here in the U.S. It's a full advantage of that -- those credits. And we do want to have those because imagine, if we're able to sell a car for $22,500, I mean that's just going to be insane. So that's obviously what we want to do because that's going to be such a unique market that we're going to go in there with nothing that compares to it. So that's really important.

Geeta, do you want to add something?

**Geeta Gupta-Fisker**
*CFO, COO & Director*

Yes. And Chris, I just want to say, we have, of course, a great relationship with Foxconn given the fact that we kicked the vehicle with this super exciting screen. It's a very high-quality product, very innovative, great experience. I think we're jointly extremely proud in how fast we did this product. With respect to the facility, we have some great ideas. Chairman, Young is visiting us next month, and I think there's more to come.

**Christopher Patrick McNally**
*Evercore ISI Institutional Equities, Research Division*

I really appreciate it. But with respect to Foxconn, should we expect when there's -- like all of the eyes have been [indiscernible] we would get a formal announcement of a manufacturing agreement. And then just 1 other one in the press release it mentions battery partners as one of the shifts from second half into '25. Does that essentially imply that it will be CATL and you're working with another battery producer as well?

**Henrik Fisker**
*President, Chairman & CEO*

Yes. Absolutely. Of course, we'll make announcements as soon as we've firmed up. We don't want us to rush out and make announcements. All I can say is there's a planned visit for Chairman, Young to come over her in June, and I'll meet him and hopefully we can finalize everything at that point in time. And as soon as we do, we will send out a press release super fast and do that.

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Now, as I mentioned before, in terms of ideas, of course, ideas are only valuable if you actually implement them, and that's exactly what we have done on the PEAR program. We've already implemented these radical new engineering solutions in our program. I think Burkhard last time already talked about our Blade Computer, which drastically reduces our performance as well. So those are all things that we have to kind of put together as a manufacturing plan as well.

And like I mentioned, I think earlier, and if not I would say it here, we are way more active, of course, in the Foxconn relationship when it comes to how we set up the manufacturing plan that we needed to be at Magna because Magna already had a rolling machine. Going into Foxconn, we're starting slightly more on a clean sheet of paper, which do have some advantages specifically if you're making a radical new vehicle like the PEAR. But yes, we'll be announcing the firm deals once we have them, both when it comes to Foxconn and when it comes to the battery deals that we're working on right now.

**Frank Boroch**
*Vice President of Investor Relations & Treasury*

Operator, can you go to the next question, please?

**Operator**

Your next question comes from the line of Jeoffrey Lambujon with TPH.

**Jeoffrey Restituto Lambujon**
*Tudor, Pickering, Holt & Co. Securities, LLC, Research Division*

My first one is on pricing. With different auto manufacturers taking different actions with respect to pricing strategies. I wonder if you could just go over your philosophy around that. On the one hand, you're one of the automakers that didn't raise prices the last several years and as you highlighted, you continue to expect 8% to 12% margins for this year. But on the other hand, with pricing competition across the space aimed at incentivizing demand, I just wonder how you weigh the pros and cons there. And I guess, as you think about all of that more directly, should we expect any changes to pricing for the Ocean going forward?

**Henrik Fisker**
*President, Chairman & CEO*

Yes. So let me take that. I mean, first of all, I think everybody who reported on the price decreases on some of the vehicles, specifically one brand out there that we all know. I think we forgot that, that's the same people also announced the incredible increases that happened 6 months ago, a year ago, 1.5 year ago.

So if you actually look at the total pricing since 2 years ago, they really just come back to where they were 2 years ago. And what that really indicates is that people who weren't willing on a long-term basis to pay those high prices, the increase for these products. Whereas with Fisker, we have not raised our prices for 2 years when we announced them, and we're still cheaper or lower cost than our competitors. We still have a product with more features, longer range than our competitors.

So I'm not really worried about pricing. I think we got some other really unique things up our sleeve both in terms of customer service, also in terms of what we can do with the battery swap. Once we try out the fleets, I think there is potentially a possibility to build -- I would say, individual consumers with that. That's a little later. But what could be interesting about a solution like that is that you're obviously not paying for the battery in the vehicle, you pay that over several years. So now you're lowering the cost of that vehicle maybe $10,000 or-so, which would be quite unique.

So I think we've got a lot of things up our sleeve that we can use if there should be -- if it should be necessary. As Geeta mentioned, we're also in a unique situation where we make money on our vehicles from the get-go because we're putting a fixed manufacturing fee. So I don't think we are under the same pressure as some of our competitors out there.

And I think with a unique product in the pricing we're in, I don't think people necessarily need to buy a $60,000 or $70,000 car. They don't like just because they get a few thousand dollars off. Of course, if it is Extreme yes, maybe, but at this point in time, like I said, we have maintained our reservations. In fact, we have seen an uptick in Europe because, of course, in Europe, we get all the incentives equally to everybody else. So it's an equal playing field in Europe.

And finally, I will say that I mentioned before, we're seriously looking at U.S. manufacturing for the Ocean as well eventually. We don't have any firm things that we can announce at this point in time, but we're actually looking at that. And of course, the PEAR will be made in the U.S. as so will the batteries be made.

**Jeoffrey Restituto Lambujon**

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*Tudor, Pickering, Holt & Co. Securities, LLC, Research Division*

Great. Appreciate that. And then I guess maybe...

**Henrik Fisker**
*President, Chairman & CEO*

Yes, go ahead.

**Jeoffrey Restituto Lambujon**
*Tudor, Pickering, Holt & Co. Securities, LLC, Research Division*

I just wanted to ask one follow-up, just if you could speak to some additional color on margins for the year. I appreciate the reference for guidance kind of staying intact there for the full year on that 8% to 12%. But is there any color you can give just on how that progresses through the quarters, obviously, Q2 relatively light compared to the rest of the year just on the homologation timing? So just from that lighter Q2 through the rest of the year as you scale up, just curious on how margin improves throughout that time frame. I appreciate it.

**Geeta Gupta-Fisker**
*CFO, COO & Director*

I mean we're not giving quarter-on-quarter guidance. So I just choose to refrain from doing that. However, what the color I can give you is that, of course, with respect to EDD, it's transloaded. Tooling CapEx is, obviously, as we are getting into launch is coming into play. And as we get towards the year-end, these NREs are disappearing. And of course, when it comes to actual input costs, as I mentioned earlier, we should see Q3 to be -- I think, for everybody a better, better quarter with respect to input costs.

I think in terms of our sort of asset-light strategy that pretty much remains intact for the whole year, so I would say that those gross margins are fairly intact. The only item I would say is that we have some modest launch costs, but they're no way close to everybody else, and they would not have any material impact in our numbers.

**Frank Boroch**
*Vice President of Investor Relations & Treasury*

Thank you. Operator, please go to the next question.

**Operator**

Your next question comes from the line of Pavel Molchanov with Raymond James.

**Pavel S. Molchanov**
*Raymond James & Associates, Inc., Research Division*

As you look at supply chain management, given that your production expectations have, as you said, shifted lower and to the right, are your suppliers' battery and otherwise ready to accommodate kind of the evolving trajectory of what your production will look like?

**Geeta Gupta-Fisker**
*CFO, COO & Director*

So in terms of our numbers, I mean, if you look at the guidance and where we are, I mean, it's not a dramatic change, number one, in terms of how the supply chain operates. Number two, we pay for our own tools. So we don't amortize those costs within piece price, which is what traditional OEMs do. So as a result, suppliers hurt if they don't achieve the volumes or they don't get to sales fast.

And from our point of view, we worked very closely with all the suppliers. This is our launch year and all suppliers understand launch year is a very unique year. And of course, we've fully loaded vehicles. So all suppliers benefit from that. I also think that suppliers want to be part of growth and our product represents growth. And everybody -- all our supply chains are so proud to be part of this product because it opens up frankly new markets for them in a growing EV industry.

So we've a phenomenal relationship with all our suppliers. We work very well with Magna Steyr in distributing what you call EDI call off. These are very organized IT systems where we work with our complex supply chain throughout the world. We manage the supply base well. And yes, we absolutely work in a very seamless way.

Now, if there are certain suppliers where they have issues in ramping up, we have mechanisms where we can work with them. So if at some point, we needed to turbocharge in our Stage 4 of the plan, turbocharge the supply chain, we, of course, have to invest. We have

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to notify them ahead of time. But in some cases, the tooling is already set. There is an opportunity to increase potentially 20%, 30% volumes on the same tools and probably we can have more volumes similar to -- at Magna Steyr, we can go from 50,000 to 70,000 units, as we've said before, without much effort. Of course, you need to put in an extra shift, but I feel very confident with the volumes we have on working with the supply chain.

**Pavel S. Molchanov**
*Raymond James & Associates, Inc., Research Division*

And just a quick housekeeping item as a follow-up. On depreciation expense went from less than $1 million per quarter 6 months ago to $9 million this quarter. Will it continue to increase? Or is this kind of the new normal around $9 million?

**Geeta Gupta-Fisker**
*CFO, COO & Director*

It's actually related to the cost of amortizing the Magna warrants. So I think you -- we can probably discuss it in detail offline.

**Operator**

Your final question comes from the line of James Picariello with BNP Paribas.

**James Albert Picariello**
*BNP Paribas Exane, Research Division*

Henrik, I appreciate the candidness in your opening remarks. So just to confirm what was said, so among the few deliveries to customers in Europe thus far, is the company stating that none of these vehicles has been returned for any type of problem?

**Henrik Fisker**
*President, Chairman & CEO*

Sure. I mean -- I can't believe you're reading this garbage article. Yes, I'm confirming the car is still in Copenhagen and the other car is still in Munich. And as soon as I get back to Munich, I'm planning to drive it which I believe is next week when I'm going on a podium there to speak about automotive. I think it's a very good event from that long.

**James Albert Picariello**
*BNP Paribas Exane, Research Division*

Yes. And just can we confirm the pack size for the Ocean, now that we've got cars in the hands of customers?

**Henrik Fisker**
*President, Chairman & CEO*

Yes, that's 113 kilowatt, which is showing that we probably have the most energy dense battery pack in the world right now when you take into consideration all vehicles as the size as [indiscernible] or BMW X3.

**Operator**

And I will turn the call over to Henrik for any closing remarks.

**Henrik Fisker**
*President, Chairman & CEO*

Thank you very much. I appreciate everybody on the call. And again, it is incredible what a ridiculous article can bring around. And it's incredible that we have to spend time on our earnings call talking about speeding tickets to confirm our car actually can go fast. But hey, I guess that's the world we're living in. I think actually it's going to be phenomenal even if we hit our 32,000 products this year in terms of deliveries and production. And I think actually will be way beyond that because I'm going to push for it. I think as Geeta mentioned, we have some amazing suppliers, so unless there's something really out of the world crazy happening, I'm super confident about it and really overachieving our goals.

But what I also want to mention is, and I think nobody has really paid attention to that. One thing is how many cars you produce. Another thing is how many cars you can sell and deliver. And I think that's really the important part here and why we're trying to streamline our logistics and delivery process, why we're going all digital, why we have spent several months setting out a very sophisticated delivery infrastructure, hiring some of the best logistics companies that can bring the vehicles as fast as possible to our

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customers. We're looking into unique ways of delivering hundreds of cars per day. And that really is important because you don't want to stand at the end of the year having produced 36,000 cars and only delivered 25.

I would like to say at the end of the year, if I produce 36,000 cars, I would like to deliver 35,500 if possible, and that's what we're going to push for and I think this is really the key here is a seamless process where we make want money where we get fantastic products out to our consumers. And as I mentioned earlier, we are proud now to being a revenue-generating car company, and now all we need to do is scale and deliver our amazing vehicles. Thank you very much, everyone.

**Operator**
This concludes the conference call. You may now disconnect your lines.

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