

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

STEM, INC.

(Exact name of registrant as specified in its charter)

Delaware

001-39455

85-1972187

(State or Other Jurisdiction
of Incorporation or Organization)

(Commission File Number)

(IRS Employer
Identification No.)

100 California St., 14th Fl., San Francisco, California 94111

(Address of principal executive offices, including zip code)

1-877-374-7836

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001	STEM	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Class

Outstanding as of April 25, 2024

Common Stock, \$0.0001 par value per share

161,651,144

STEM, INC.
Quarterly Report on Form 10-Q
For the Period Ended March 31, 2024

TABLE OF CONTENTS

	<u>Page</u>
<u>Part I. Financial Information</u>	<u>3</u>
<u>Item 1. Financial Statements (Unaudited)</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Loss</u>	<u>5</u>
<u>Condensed Consolidated Statements of Stockholders' Equity</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>9</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>36</u>
<u>Item 4. Controls and Procedures</u>	<u>36</u>
<u>Part II. Other Information</u>	<u>38</u>
<u>Item 1. Legal Proceedings</u>	<u>38</u>
<u>Item 1A. Risk Factors</u>	<u>38</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>38</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>38</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>38</u>
<u>Item 5. Other Information</u>	<u>38</u>
<u>Item 6. Exhibits</u>	<u>38</u>
<u>Signature</u>	<u>39</u>

Part I - Financial Information

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

STEM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(in thousands, except share and per share amounts)

	March 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 112,804	\$ 105,375
Short-term investments	—	8,219
Accounts receivable, net of allowances of \$4,464 and \$4,904 as of March 31, 2024 and December 31, 2023, respectively	239,934	302,848
Inventory, net	24,444	26,665
Deferred costs with suppliers	20,125	20,555
Other current assets (includes \$41 and \$73 due from related parties as of March 31, 2024 and December 31, 2023, respectively)	8,221	9,303
Total current assets	405,528	472,965
Energy storage systems, net	71,234	74,418
Contract origination costs, net	10,515	11,119
Goodwill	547,169	547,205
Intangible assets, net	155,008	157,146
Operating lease right-of-use assets	11,475	12,255
Other noncurrent assets	83,966	81,869
Total assets	\$ 1,284,895	\$ 1,356,977
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 61,746	\$ 78,277
Accrued liabilities	78,487	76,873
Accrued payroll	11,188	14,372
Financing obligation, current portion	15,390	14,835
Deferred revenue, current portion	56,952	53,997
Other current liabilities (includes \$203 and \$31 due to related parties as of March 31, 2024 and December 31, 2023, respectively)	12,855	12,726
Total current liabilities	236,618	251,080
Deferred revenue, noncurrent	88,410	88,650
Asset retirement obligation	4,073	4,052
Convertible notes, noncurrent	524,200	523,633
Financing obligation, noncurrent	49,222	52,010
Lease liabilities, noncurrent	9,885	10,455
Other liabilities	436	416
Total liabilities	912,844	930,296
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized as of March 31, 2024 and December 31, 2023; zero shares issued and outstanding as of March 31, 2024 and December 31, 2023	—	—
Common stock, \$0.0001 par value; 500,000,000 shares authorized as of March 31, 2024 and December 31, 2023; 161,526,782 and 155,932,880 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	16	16
Additional paid-in capital	1,216,197	1,198,716
Accumulated other comprehensive income (loss)	154	(42)
Accumulated deficit	(844,801)	(772,494)
Total Stem's stockholders' equity	371,566	426,196
Non-controlling interests	485	485
Total stockholders' equity	372,051	426,681
Total liabilities and stockholders' equity	\$ 1,284,895	\$ 1,356,977

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2024	2023
Revenue		
Services and other revenue	\$ 14,840	\$ 14,673
Hardware revenue	10,629	52,732
Total revenue	25,469	67,405
Cost of Revenue		
Cost of services and other revenue	9,984	11,504
Cost of hardware revenue	39,676	54,907
Total cost of revenue	49,660	66,411
Gross (loss) profit	(24,191)	994
Operating expenses:		
Sales and marketing	11,126	12,406
Research and development	14,136	13,444
General and administrative	18,560	17,797
Total operating expenses	43,822	43,647
Loss from operations	(68,013)	(42,653)
Other expense, net:		
Interest expense, net	(4,707)	(1,777)
Other income (expense), net	566	(439)
Total other expense, net	(4,141)	(2,216)
Loss before (provision for) benefit from income taxes	(72,154)	(44,869)
(Provision for) benefit from income taxes	(153)	91
Net loss	\$ (72,307)	\$ (44,778)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.46)	\$ (0.29)
Weighted-average shares used in computing net loss per share to common stockholders, basic and diluted	158,180,137	154,966,163

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2024	2023
Net loss	\$ (72,307)	\$ (44,778)
Other comprehensive loss:		
Unrealized gain on available-for-sale securities	3	1,543
Foreign currency translation adjustment	193	127
Total other comprehensive loss	<u>\$ (72,111)</u>	<u>\$ (43,108)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income			Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount		(Loss)	Deficit			
Balance as of January 1, 2024	155,932,880	\$ 16	\$ 1,198,716	\$ (42)	\$ (772,494)	\$ 485	\$ 426,681	
Issuance of common stock upon release of restricted stock units	5,593,902	—	8,114	—	—	—	8,114	
Stock-based compensation	—	—	9,367	—	—	—	9,367	
Unrealized gain on available-for-sale securities	—	—	—	3	—	—	3	
Foreign currency translation adjustments	—	—	—	193	—	—	193	
Net loss	—	—	—	—	(72,307)	—	(72,307)	
Balance as of March 31, 2024	161,526,782	\$ 16	\$ 1,216,197	\$ 154	\$ (844,801)	\$ 485	\$ 372,051	

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income		Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance as of January 1, 2023	154,540,197	\$ 15	\$ 1,185,364	\$ (1,672)	\$ (632,081)	\$ 541	\$ 552,167
Stock option exercises, net of statutory tax withholdings	65,045	—	149	—	—	—	149
Issuance of common stock upon release of restricted stock units	903,061	1	—	—	—	—	1
Stock-based compensation	—	—	8,108	—	—	—	8,108
Unrealized gain on available-for-sale securities	—	—	—	1,543	—	—	1,543
Foreign currency translation adjustments	—	—	—	127	—	—	127
Redemption of non-controlling interests	—	—	—	—	—	(72)	(72)
Net loss	—	—	—	—	(44,778)	—	(44,778)
Balance as of March 31, 2023	155,508,303	\$ 16	\$ 1,193,621	\$ (2)	\$ (676,859)	\$ 469	\$ 517,245

The accompanying notes are an integral part of these condensed consolidated financial statements.

STEM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2024	2023
OPERATING ACTIVITIES		
Net loss	\$ (72,307)	\$ (44,771)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	10,809	11,100
Non-cash interest expense, including interest expenses associated with debt issuance costs	422	381
Stock-based compensation	8,374	7,200
Non-cash lease expense	777	600
Accretion of asset retirement obligations	59	100
Impairment loss of energy storage systems	—	85
Impairment loss of project assets	345	—
Net (accretion of discount) amortization of premium on investments	(29)	(65)
Income tax benefit from release of valuation allowance	—	(30)
Provision for accounts receivable allowance	(1,004)	500
Net loss on investments	—	1,500
Other	(98)	(100)
Changes in operating assets and liabilities:		
Accounts receivable	63,943	(10,000)
Inventory	2,221	(34,800)
Deferred costs with suppliers	430	28,100
Other assets	(1,176)	200
Contract origination costs, net	(356)	(800)
Project assets	(390)	(1,400)
Accounts payable	(16,280)	28,800
Accrued expenses and other liabilities	1,731	(31,700)
Deferred revenue	2,715	9,900
Lease liabilities	(807)	(500)
Net cash used in operating activities	(621)	(35,800)
INVESTING ACTIVITIES		
Acquisitions, net of cash acquired	—	(1,800)
Purchase of available-for-sale investments	—	(49,100)
Proceeds from maturities of available-for-sale investments	8,250	50,200
Proceeds from sales of available-for-sale investments	—	73,900
Purchase of energy storage systems	(51)	(1,600)
Capital expenditures on internally-developed software	(3,463)	(3,500)
Purchase of property and equipment	(61)	(100)
Net cash provided by investing activities	4,675	67,800
FINANCING ACTIVITIES		
Proceeds from exercise of stock options and warrants	—	100
Proceeds from employee equity transactions to be remitted to tax authorities, net	5,228	—
Repayment of financing obligations	(2,086)	(2,100)
Redemption of investment from non-controlling interests, net	—	(100)
Repayment of notes payable	—	(100)
Net cash provided by (used in) financing activities	3,142	(2,100)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	233	100
Net increase in cash, cash equivalents and restricted cash	7,429	29,900
Cash, cash equivalents and restricted cash, beginning of year	106,475	87,900
Cash, cash equivalents and restricted cash, end of period	\$ 113,904	\$ 117,800

The accompanying notes are an integral part of these condensed consolidated financial statements.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$	1,422	\$	1,481
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NON-CASH INVESTING AND FINANCING ACTIVITIES

Change in asset retirement costs and asset retirement obligation	\$	38	\$	99
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Purchases of energy storage systems in accounts payable	\$	251	\$	88
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Right-of-use asset obtained in exchange for lease liability	\$	—	\$	2,782
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Stock-based compensation capitalized to internal-use software	\$	992	\$	906
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Stock issued for employee bonuses	\$	7,523	\$	—
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**RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH WITHIN THE CONDENSED CONSOLIDATED
BALANCE SHEETS TO THE AMOUNTS SHOWN IN THE STATEMENTS OF CASH FLOWS ABOVE:**

Cash and cash equivalents	\$	112,804	\$	117,883
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Restricted cash included in other noncurrent assets		1,100		—
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Total cash, cash equivalents, and restricted cash	\$	113,904	\$	117,883
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The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BUSINESS

Description of the Business

Stem, Inc. ("Stem," the "Company," "we," "us," or "our") is a global leader in artificial intelligence ("AI")-driven clean energy solutions and services. We maintain one of the world's largest digitally connected, intelligent, renewable energy networks, providing customers with (i) energy storage hardware, sourced from leading, global battery original equipment manufacturers ("OEMs"), that we deliver through our partners, including developers, distributors and engineering, procurement and construction ("EPC") firms, (ii) edge hardware to aid in the collection of site data and the real-time operation and control of the site plus other optional equipment, and (iii) an ongoing software platform, Athena®, and services to operate and manage the performance of standalone energy storage, integrated solar plus storage systems, and solar assets. In addition, in all of the markets where we help manage our customers' clean energy assets, we have agreements to use the Athena platform to participate in such markets and to share the revenue from such market participation.

We deliver our battery hardware and software-enabled services to customers through our Athena platform. The Company's hardware and recurring software-enabled services mitigate customer energy costs through services such as time-of-use and demand charge management optimization and by aggregating the dispatch of energy through a network of virtual power plants. The network created by the Company's growing customer base increases grid resilience and reliability through the real-time processing of market-based demand signals, energy prices, and other factors in connection with the deployment of renewable energy resources to such customers. Additionally, the Company's clean energy solutions are designed to support renewable energy generation by helping to alleviate grid intermittency issues, thereby reducing customer dependence on traditional, fossil fuel resources.

The Company's Athena PowerTrack application provides a vertically integrated solution that incorporates on-site power monitoring equipment that aggregates and communicates data to enable remote control of solar generation assets. PowerTrack provides direct access to individual site performance to measure and benchmark expected energy production, maximizing asset value for the Company's customers.

From time to time, the Company, through an indirect wholly-owned development subsidiary ("DevCo") will enter into strategic joint ventures (each a "DevCo JV") with qualified third parties for the development of select renewable energy projects ("DevCo Projects"). In this structure, DevCo forms a new DevCo JV entity as the majority owner, with the developer as the minority owner. The purpose of the DevCo JV is to develop and sell DevCo Projects and secure Company hardware and software services for those projects. In DevCo Projects, the Company makes development capital contributions to fund project development, and recovers those capital contributions plus a fee when the developer takes ownership of the project. This business model is intended to allow the Company to advance development capital to key partners in strategic markets and secure hardware upfront, in order to generate higher-margin software and services and other revenue via exclusive long-term services contracts under the DevCo Projects.

The Company operated as Rollins Road Acquisition Company (f/k/a Stem, Inc.) ("Legacy Stem") prior to the Merger with Star Peak Transition Corp. ("STPK"), an entity that was then listed on the New York Stock Exchange under the trade symbol "STPK," and STPK Merger Sub Corp., a Delaware corporation and wholly-owned subsidiary of STPK ("Merger Sub"), providing for, among other things, and subject to the conditions therein, the combination of the Company and STPK pursuant to the merger of Merger Sub with and into the Company, with the Company continuing as the surviving entity (the "Merger"). Stem, Inc. was incorporated on March 16, 2009 in the State of Delaware and is headquartered in San Francisco, California.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Liquidity

As of March 31, 2024, we had cash and cash equivalents of \$ 112.8 million, an accumulated deficit of \$844.8 million, net accounts receivable of \$239.9 million, and working capital, which we define as current assets less current liabilities, of \$168.9 million. During the three months ended March 31, 2024, we incurred a net loss of \$72.3 million and had negative cash flows from operating activities of \$ 0.6 million. As of March 31, 2024, our principal sources of liquidity were cash and cash equivalents totaling \$112.8 million, which were held for working capital purposes and for investment growth opportunities. As of March 31, 2024, we believe that our cash position, as well as expected collections from accounts receivable, is sufficient to meet capital and liquidity requirements for at least the next 12 months from the date of this Quarterly Report on Form 10-Q.

Our business prospects are subject to risks, expenses, and uncertainties frequently encountered by companies in the early stages of commercial operations. The attainment of profitable operations is dependent upon future events, including securing new customers and maintaining current ones, securing and maintaining adequate supplier relationships, building our customer base, successfully executing our business and marketing strategy, obtaining adequate financing to complete our development activities, and hiring and retaining appropriate personnel. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results and financial condition.

Supply Chain Constraints and Risk

We have in the past faced shortages and shipping delays affecting the supply of inverters, enclosures, battery modules and associated component parts for inverters and battery energy storage systems available for purchase. These shortages and delays were due in part to the evolving macroeconomic, geopolitical and business environment, including the effects of global inflationary pressures and interest rates, general economic slowdown or a recession, changes in monetary policy, instability in financial institutions, potential import tariffs, geopolitical pressures, including the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas, as well as tensions between China and the United States and unknown effects of current and future trade regulations. We cannot predict the full effects the macroeconomic, geopolitical and business environment will have on our business, cash flows, liquidity, financial condition and results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X, assuming the Company will continue as a going concern. Accordingly, the consolidated balance sheet at December 31, 2023 has been derived from the audited financial statements at that date, but certain notes or other information that are normally required by GAAP have been omitted if they substantially duplicate the disclosures contained in the Company's annual audited consolidated financial statements. In the opinion of the Company's management, all normal and recurring adjustments considered necessary for a fair statement of the results for the interim period presented have been included in the accompanying unaudited condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2023. Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024 or for any other future interim period or year.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and consolidated variable interest entities ("VIEs"). The Company presents non-controlling interests within the equity section of its condensed consolidated balance sheets, and the amount of consolidated net loss that is attributable to the Company and the non-controlling interest in its condensed consolidated statements of operations. All intercompany balances and transactions have been eliminated in consolidation.

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**Variable Interest Entities**

The Company forms special purpose entities ("SPEs"), some of which are VIEs, with its investors in the ordinary course of business to facilitate the funding and monetization of its energy storage systems. A legal entity is considered a VIE if it has either a total equity investment that is insufficient to finance its operations without additional subordinated financial support or whose equity holders lack the characteristics of a controlling financial interest. The Company's variable interests arise from contractual, ownership, or other monetary interests in the entity. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests.

The Company consolidates a VIE if it is deemed to be the primary beneficiary. The Company determines it is the primary beneficiary if it has the power to direct the activities that most significantly impact the VIEs' economic performance and has the obligation to absorb losses or has the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company evaluates its relationships with its VIEs on an ongoing basis to determine whether it is the primary beneficiary.

Beginning in January 2022, the Company formed DevCo JVs with the purpose of originating potential battery storage facility projects in specific locations and conducting early-stage planning and development activities. The Company determined that the DevCo JVs are VIEs, as they lack sufficient equity to finance their activities without additional financial support. The Company determined that it has both (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and (2) the obligation to absorb losses or receive benefits from the VIE that could potentially be significant. Accordingly, the Company has determined that it is the primary beneficiary of the DevCo JVs, and as a result, the DevCo JVs' operating results, assets and liabilities are consolidated by the Company, with third party minority owners' share presented as noncontrolling interest. The Company applied the hypothetical liquidation at book value method in allocating recorded net income (loss) to each owner based on the change in the reporting period, of the amount of net assets of the entity to which each owner would be entitled to under the governing contracts in a liquidation scenario.

The following table summarizes the carrying values of the assets and liabilities of the DevCo JVs that are consolidated by the Company as of March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 791	\$ 2,191
Other current assets	22	30
Other noncurrent assets	8,469	8,424
Total assets	9,282	10,645
Liabilities		
Accounts payable	2,107	1,405
Other current liabilities	197	1,892
Total liabilities	\$ 2,304	\$ 3,297

The Company did not make any material capital investment contributions during the three months ended March 31, 2024. For the three months ended March 31, 2023, the Company contributed approximately \$0.1 million in capital investments for hardware purchases. The net income from the DevCo JVs was immaterial during both the three months ended March 31, 2024 and March 31, 2023.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

Significant estimates and assumptions reflected in these unaudited condensed consolidated financial statements include, but are not limited to, depreciable life of energy storage systems; estimates of transaction price with variable consideration; the amortization of acquired intangibles; the amortization of financing obligations; deferred commissions and contract fulfillment costs; the valuation of energy storage systems, finite-lived intangible assets, internally developed software, and asset retirement

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

obligations; and the fair value of equity instruments, equity-based instruments, derivative liability, accruals related to sales tax liabilities and the fair value of assets acquired and liabilities assumed in a business combination.

Segment Information

Operating segments are defined as components of an entity for which discrete financial information is available that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. The Company's Chief Executive Officer is the CODM. The CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. As such, management has determined that the Company operates as one operating segment that is focused exclusively on innovative technology services that transform the way energy is distributed and consumed. Net assets outside of the U.S. were less than 10% of total net assets as of March 31, 2024 and December 31, 2023.

Concentration of Credit Risk and Other Uncertainties

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company's cash balances are primarily invested in money market funds or on deposit at high credit quality financial institutions in the U.S. The Company's cash and cash equivalents are held at financial institutions where account balances may at times exceed federally insured limits. Management believes the Company is not exposed to significant credit risk due to the financial strength of the depository institution in which the cash is held. The Company has no financial instruments with off-balance sheet risk of loss.

At times, the Company may be subject to a concentration of credit risk in relation to certain customers due to the purchase of large energy storage systems made by such customers. The Company routinely assesses the creditworthiness of its customers. The Company has not experienced material losses related to receivables from individual customers, or groups of customers during the three months ended March 31, 2024 and 2023. The Company does not require collateral. Due to these factors, no additional credit risk beyond amounts provided for credit losses is believed by management to be probable in the Company's accounts receivable.

Significant Customers

A significant customer represents 10% or more of the Company's total revenue or accounts receivable, net balance at each reporting date. For each significant customer, revenue as a percentage of total revenue and accounts receivable as a percentage of total accounts receivable are as follows:

	Accounts Receivable		Revenue	
	March 31,	December 31,	Three Months Ended March 31,	
	2024	2023	2024	2023
Customers:				
Customer A	50 %	41 %	24 %	*
Customer B	17 %	28 %	*	61 %
Customer C	*	*	22 %	*
Customer D	*	*	22 %	*

*Total less than 10% for the period.

There are inherent risks whenever a large percentage of total revenue is concentrated in a limited number of customers. Should a significant customer terminate or fail to renew its contracts with us, in whole or in part, for any reason, or experience significant financial or operating difficulties, it could have a material adverse effect on our financial condition and results of operations. In general, a customer that makes up a significant portion of revenues in one period, may not make up a significant portion in subsequent periods.

STEM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the unaudited condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities).

Hierarchical levels which are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access as of the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are directly observable for the asset or liability or indirectly observable through corroboration with observable market data.

Level 3 — Unobservable inputs for the asset or liability only used when there is little, if any, market activity for the asset or liability at the measurement date.

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The Company's assessment of the significance of a specific input to the fair value measurement in its entirety requires management to make judgments and consider factors specific to the asset or liability.

Financial assets and liabilities held by the Company measured at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 include cash and cash equivalents, short-term investments, derivative liability, and convertible notes.

3. REVENUE

Disaggregation of Revenue

The following table provides information on the disaggregation of revenue as recorded in the condensed consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2024	2023
Hardware revenue	\$ 10,629	\$ 52,732
Services and other revenue	14,840	14,673
Total revenue	<u>\$ 25,469</u>	<u>\$ 67,405</u>

The following table summarizes reportable revenue by geographic regions determined based on the location of the customers (in thousands):

	Three Months Ended March 31,	
	2024	2023
United States	\$ 24,294	\$ 65,330
Rest of the world	1,175	2,075
Total revenue	<u>\$ 25,469</u>	<u>\$ 67,405</u>

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Remaining Performance Obligations

Remaining performance obligations represent contracted revenue that has not been recognized, which include contract liabilities (deferred revenue) and amounts that will be billed and recognized as revenue in future periods. As of March 31, 2024 and March 31, 2023, the Company had \$ 440.6 million and \$541.1 million of remaining performance obligations, respectively, and the approximate percentages expected to be recognized as revenue in the future are as follows (in thousands, except percentages):

March 31, 2024				
	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue		
		Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	\$ 344,555	15 %	47 %	38 %
Hardware revenue	96,013	96 %	4 %	— %
Total revenue	<u>\$ 440,568</u>			

March 31, 2023				
	Total Remaining Performance Obligations	Percent Expected to be Recognized as Revenue		
		Less Than One Year	Two to Five Years	Greater Than Five Years
Services and other revenue	\$ 327,149	14 %	48 %	38 %
Hardware revenue	213,993	100 %	— %	— %
Total revenue	<u>\$ 541,142</u>			

Contract Balances

Deferred revenue primarily includes cash received in advance of revenue recognition related to energy optimization services and incentives. The following table presents the changes in the deferred revenue balance during the three months ended March 31, 2024 and March 31, 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Beginning balance	\$ 142,647	\$ 138,074
Upfront payments received from customers	17,373	30,700
Upfront or annual incentive payments received	497	1,275
Revenue recognized related to amounts that were included in beginning balance of deferred revenue	(10,074)	(8,463)
Revenue recognized related to deferred revenue generated during the period	(5,081)	(13,591)
Ending balance	<u>\$ 145,362</u>	<u>\$ 147,995</u>

Parent Company Guarantees

Prior to July 2023, the Company agreed in certain customer contracts to provide a guarantee that the value of purchased hardware will not decline for a certain period of time. Under this guarantee, if these customers were unable to install or designate the hardware to a specified project within such period of time, the Company would be required to assist the customer in re-marketing the hardware for resale by the customer. If a resale does not occur, the hardware will be appraised utilizing a third party. The guarantee provided that, in such cases, if the customer resold the hardware for less than the amount initially sold to the customer or the appraisal value is less than the hardware purchase price, the Company would be required to compensate the customer for any shortfall in fair value for the hardware from the initial contract price. The Company accounts for such contractual terms and guarantees as variable consideration at each measurement date. The Company updates its estimate of variable consideration each quarter, including changes in estimates related to such guarantees, for facts or circumstances that have changed from the time of the initial estimate. As a result, the Company recorded a net revenue reduction of \$33.1 million in hardware revenue during the three months ended March 31, 2024. The overall reduction in revenue was related to deliveries that occurred prior to the current fiscal year. The remaining net book value of the billed and unbilled receivable as of March 31, 2024 is \$108.1 million which could be subject to further adjustments under the guarantee.

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. SHORT-TERM INVESTMENTS

The Company did not have short-term investments as of March 31, 2024. The following tables summarize the estimated fair value of the Company's short-term investments and the gross unrealized holding gains and losses as of December 31, 2023 (in thousands).

	As of December 31, 2023			
	Amortized Cost	Unrealized Gain	Unrealized Loss	Estimated Fair Value
Commercial paper	\$ 1,978	\$ —	\$ —	\$ 1,978
U.S. government bonds	2,744	—	(3)	2,741
Agency bonds	3,503	—	(3)	3,500
Total short-term investments	\$ 8,225	\$ —	\$ (6)	\$ 8,219

The Company periodically reviews the individual securities that have unrealized losses on a regular basis to evaluate whether or not any security has experienced, or is expected to experience, credit losses resulting in the decline in fair value. The Company evaluates, among other factors, whether the Company intends to sell any of these short-term investments and whether it is more likely than not that the Company will be required to sell any of them before recovery of the amortized cost basis. During the three months ended March 31, 2024, the Company did not record an allowance for credit losses.

5. FAIR VALUE MEASUREMENTS

Fair value accounting is applied for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. On March 31, 2024 and December 31, 2023, the carrying amount of accounts receivable, other current assets, accounts payable, and accrued and other current liabilities approximated their estimated fair value due to their relatively short maturities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table provides the financial instruments measured at fair value (in thousands):

	March 31, 2024			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market fund	\$ 60,378	\$ —	\$ —	\$ 60,378
Total financial assets	\$ 60,378	\$ —	\$ —	\$ 60,378
Liabilities:				
Derivative liability	\$ —	\$ —	\$ 7,731	\$ 7,731

STEM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

	December 31, 2023			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market fund	\$ 47,297	\$ —	\$ —	\$ 47,297
Commercial paper	—	3,971	—	3,971
Debt securities:				
Commercial paper	—	1,978	—	1,978
U.S. government bonds	—	2,741	—	2,741
Other	—	3,500	—	3,500
Total financial assets	\$ 47,297	\$ 12,190	\$ —	\$ 59,487
Liabilities:				
Derivative liability	\$ —	\$ —	\$ 7,731	\$ 7,731

The Company's money market funds are classified as Level 1 because they are valued using quoted market prices. The Company's short-term investments consist of available-for-sale securities and are classified as Level 2 because their value is based on valuations using significant inputs derived from or corroborated by observable market data. The Company's other current liabilities includes a derivative liability that is attributable to a derivative feature within a revenue contract, whereby final settlement is indexed to the price per ton of lithium carbonate. The balance was valued using a third party forecast for lithium carbonate. As the derivative instrument is not traded on an exchange they are classified within Level 3 of the fair value hierarchy.

Fair Value of Convertible Promissory Notes

The convertible notes are recorded at face value less unamortized debt issuance costs (see Note 8 — *Convertible Notes* for additional details) on the condensed consolidated balance sheets as of March 31, 2024. As of March 31, 2024 and December 31, 2023, the estimated fair value of the 2028 Convertible Notes was \$144.1 million and \$149.1 million, respectively, based on Level 2 quoted bid prices of the convertible notes in an over-the-counter market on the last trading date of the reporting period. As of March 31, 2024 and December 31, 2023, the estimated fair value of the 2030 Convertible Notes was \$125.7 million and \$175.8 million, respectively, based on Level 2 quoted bid prices of the convertible notes in an over-the-counter market on the last trading date of the reporting period.

6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

Goodwill consists of the following (in thousands):

	March 31,	December 31,
	2024	2023
Goodwill	\$ 547,158	\$ 547,158
Effect of foreign currency translation	11	47
Total goodwill	\$ 547,169	\$ 547,205

STEM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Intangible Assets, Net

Intangible assets, net, consists of the following (in thousands):

	March 31, 2024	December 31, 2023
Developed technology	\$ 32,618	\$ 32,618
Trade name	11,300	11,300
Customer relationships	106,800	106,800
Internally developed software	71,738	67,282
Intangible assets	222,456	218,000
Less: Accumulated amortization	(67,451)	(60,868)
Add: Currency translation adjustment	3	14
Total intangible assets, net	\$ 155,008	\$ 157,146

Amortization expense for intangible assets was \$ 6.6 million and \$6.5 million for the three months ended March 31, 2024 and 2023, respectively.

7. ENERGY STORAGE SYSTEMS, NET

Energy Storage Systems, Net

Energy storage systems, net, consists of the following (in thousands):

	March 31, 2024	December 31, 2023
Energy storage systems placed into service	\$ 139,083	\$ 141,181
Less: accumulated depreciation	(71,800)	(70,918)
Energy storage systems not yet placed into service	3,951	4,155
Total energy storage systems, net	\$ 71,234	\$ 74,418

Depreciation expense for energy storage systems was approximately \$ 3.0 million and \$3.6 million for the three months ended March 31, 2024 and 2023, respectively. Depreciation expense is recognized in cost of services and other revenue.

Impairment expense for energy storage systems was approximately \$ 0.9 million for the three months ended March 31, 2023. The Company did not recognize impairment expense for the three months ended March 31, 2024. Impairment expense is recognized in cost of services and other revenue.

8. CONVERTIBLE NOTES

2028 Convertible Notes and 2028 Capped Call Options

2028 Convertible Notes

On November 22, 2021, the Company issued \$460.0 million aggregate principal amount of its 2028 Convertible Notes in a private placement offering to qualified institutional buyers (the "2021 Initial Purchasers") pursuant to Rule 144A under the Securities Act of 1933, as amended.

The 2028 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 0.5% per year, payable in cash semi-annually in arrears in June and December of each year, beginning in June 2022. The 2028 Convertible Notes will mature on December 1, 2028, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, the Company may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock. The 2028 Convertible Notes are redeemable for cash at the Company's option at any time given certain conditions (as discussed below), at an initial conversion rate of 34.1965 shares of common stock per \$1,000 principal amount of 2028 Convertible Notes, which is equivalent to an initial conversion price of approximately \$29.24 (the "2028 Conversion Price") per share of the Company's common stock. The conversion rate is subject to customary adjustments for certain events as described in the related indenture.

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The Company may redeem for cash all or any portion of the 2028 Convertible Notes, at the Company's option, on or after December 5, 2025 if the last reported sale price of the Company's common stock has been at least 130% of the 2028 Conversion Price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2028 Convertible Notes to be redeemed, plus accrued and unpaid interest.

The Company's net proceeds from this offering were approximately \$445.7 million, after deducting the 2021 Initial Purchasers' discounts and debt issuance costs. To minimize the effect of potential dilution to the Company's common stockholders upon conversion of the 2028 Convertible Notes, the Company entered into separate capped call transactions (the "2028 Capped Calls") as described below. In connection with the issuance of the 2030 Convertible Notes during the second quarter of 2023, the Company used approximately \$99.8 million of the net proceeds to purchase and surrender for cancellation approximately \$163.0 million aggregate principal amount of the Company's 2028 Convertible Notes, which resulted in a \$ 59.4 million gain on debt extinguishment. See *2030 Convertible Notes* below for further details of the 2030 Convertible Notes.

Upon adoption of ASU 2020-06, the Company allocated all of the debt discount to long-term debt. The debt discount is amortized to interest expense using the effective interest method, computed to be 0.9%, over the life of the 2028 Convertible Notes or approximately its seven-year term. The outstanding 2028 Convertible Notes balances as of March 31, 2024 and December 31, 2023 are summarized in the following table (in thousands):

	March 31, 2024	December 31, 2023
Long Term Debt		
Outstanding principal	\$ 297,024	\$ 297,024
Unamortized 2021 Initial Purchasers' debt discount and debt issuance cost	(6,177)	(6,501)
Net carrying amount	\$ 290,847	\$ 290,523

The following table presents total interest expense recognized related to the 2028 Convertible Notes during the three months ended March 31, 2024 and 2023 (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cash interest expense		
Contractual interest expense	\$ 371	\$ 575
Non-cash interest expense		
Amortization of debt discount and debt issuance cost	324	499
Total interest expense	\$ 695	\$ 1,074

2028 Capped Call Options

On November 17, 2021, in connection with the pricing of the 2028 Convertible Notes, and on November 19, 2021, in connection with the exercise in full by the 2021 Initial Purchasers of their option to purchase additional Notes, the Company entered into the 2028 Capped Calls with certain counterparties. The Company used \$66.7 million of the net proceeds to pay the cost of the 2028 Capped Calls.

The 2028 Capped Calls have an initial strike price of \$ 29.2428 per share, which corresponds to the initial conversion price of the 2028 Convertible Notes and is subject to anti-dilution adjustments. The 2028 Capped Calls have a cap price of \$49.6575 per share, subject to certain adjustments.

The 2028 Capped Calls are considered separate transactions entered into by and between the Company and the 2028 Capped Calls counterparties, and are not part of the terms of the 2028 Convertible Notes. The Company recorded a reduction to additional paid-in capital of \$66.7 million during the year ended December 31, 2021 related to the premium payments for the 2028 Capped Calls. These instruments meet the conditions outlined in Financial Accounting Standards Board ("FASB") ASU 2022-01 Topic 815, *Derivatives and Hedging* ("ASC 815") to be classified in stockholders' equity and are not subsequently remeasured as long as the conditions for equity classification continue to be met.

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**2030 Convertible Notes and 2030 Capped Call Options****2030 Convertible Notes**

On April 3, 2023, the Company issued \$ 240.0 million aggregate principal amount of its 2030 Convertible Notes in a private placement offering to qualified institutional buyers (the “2023 Initial Purchasers”) pursuant to Rule 144A under the Securities Act of 1933, as amended.

The 2030 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 4.25% per year, payable in cash semi-annually in arrears in April and October of each year, beginning on October 1, 2023. The 2030 Convertible Notes will mature on April 1, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, the Company may choose to pay or deliver cash, shares of common stock or a combination of cash and shares of common stock. The 2030 Convertible Notes are redeemable for cash at the Company's option at any time given certain conditions (as discussed below), at an initial conversion rate of 140.3066 shares of common stock per \$1,000 principal amount of the 2030 Convertible Notes, which is equivalent to an initial conversion price of approximately \$7.1272 (the “2030 Conversion Price”) per share of the Company's common stock. The conversion rate is subject to customary adjustments for certain events as described in the related indenture.

The 2030 Convertible Notes will be redeemable, in whole or in part, at the Company's option, on or after April 5, 2027 if the last reported sale price of the Company's common stock has been at least 130% of the 2030 Conversion Price then in effect for at least 20 trading days at a redemption price equal to 100% of the principal amount of the 2030 Convertible Notes to be redeemed, plus accrued and unpaid interest.

The Company's net proceeds from this offering were approximately \$232.4 million, net of \$7.6 million in debt issuance costs primarily consisting of underwriters, advisory, legal, and accounting fees. The Company used approximately \$99.8 million of the net proceeds to purchase and surrender for cancellation approximately \$163.0 million aggregate principal amount of the Company's 2028 Convertible Notes. See *2028 Convertible Notes* above for further details on the impacts of the debt extinguishment.

The outstanding 2030 Convertible Notes balances as of March 31, 2024 and December 31, 2023 are summarized in the following table (in thousands):

	March 31, 2024	December 31, 2023
Long Term Debt		
Outstanding principal	\$ 240,000	\$ 240,000
Unamortized 2023 Initial Purchasers' debt discount and debt issuance cost	(6,647)	(6,890)
Net carrying amount	<u>\$ 233,353</u>	<u>\$ 233,110</u>

STEM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The debt discount and debt issuance costs are amortized to interest expense using the effective interest method, computed to be 4.70%, over the life of the 2030 Convertible Notes or its approximately seven-year term.

The following table presents total interest expense recognized related to the 2030 Convertible Notes during the three months ended March 31, 2024 (in thousands):

	Three Months Ended March 31, 2024
Cash interest expense	
Contractual interest expense	\$ 2,550
Non-cash interest expense	
Amortization of debt discount and debt issuance cost	243
Total interest expense	<u>\$ 2,793</u>

2030 Capped Call Options

On March 29, 2023 and March 31, 2023, in connection with the pricing of the 2030 Convertible Notes, and on April 3, 2023, in connection with the exercise in full by the 2023 Initial Purchasers of their option to purchase additional 2030 Convertible Notes, the Company entered into Capped Calls (the "2030 Capped Calls") with certain counterparties. The Company used \$27.8 million of the net proceeds from the 2030 Convertible Notes to pay the cost of the 2030 Capped Calls.

The 2030 Capped Calls have an initial strike price of \$ 7.1272 per share, which corresponds to the initial conversion price of the 2030 Convertible Notes and is subject to anti-dilution adjustments. The 2030 Capped Calls have a cap price of \$11.1800 per share, subject to certain adjustments.

The 2030 Capped Calls are considered separate transactions entered into by and between the Company and the 2030 Capped Calls counterparties, and are not part of the terms of the 2030 Convertible Notes. The Company recorded a reduction to additional paid-in capital of \$27.8 million during the second quarter of 2023 related to the premium payments for the 2030 Capped Calls. These instruments meet the conditions outlined in ASC 815 to be classified in stockholders' equity and are not subsequently remeasured as long as the conditions for equity classification continue to be met.

9. STOCK-BASED COMPENSATION

Equity Incentive Plans

Under both the Stem, Inc. 2009 Equity Incentive Plan (the "2009 Plan") and the Stem, Inc. 2021 Equity Incentive Plan (the "2021 Plan," and together with the 2009 Plan, the "Plans"), the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs"), and other awards that are settled in shares of the Company's common stock. The Company does not intend to grant new awards under the 2009 Plan. All shares that remain available for future grants are under the 2021 Plan.

Stock Options

The following table summarizes the stock option activity for the period ended March 31, 2024:

	Number of Options Outstanding	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in thousands)
Balances as of December 31, 2023	9,011,616	\$ 6.99	6.0	\$ 8,686
Options granted	687,483	3.37		
Options forfeited and expired	(26,465)	30.26		
Balances as of March 31, 2024	<u>9,672,634</u>	\$ 6.67	6.0	\$ 1,822
Options vested and exercisable — March 31, 2024	<u>7,066,446</u>	\$ 5.31	5.1	\$ 1,821

As of March 31, 2024, the Company had approximately \$ 14.2 million of remaining unrecognized stock-based compensation expense for stock options, which is expected to be recognized over a weighted average period of 1.4 years.

STEM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Restricted Stock Units

The following table summarizes the RSU activity for the period ended March 31, 2024:

	Number of RSUs Outstanding ⁽¹⁾	Weighted-Average Grant Date Fair Value Per Share
Balances as of December 31, 2023	11,159,272	\$ 10.31
RSUs granted	3,378,189	2.76
RSUs vested	(5,593,662)	4.32
RSUs forfeited	(450,663)	6.53
Balances as of March 31, 2024	8,493,136	\$ 11.30

(1) Includes certain restricted stock units with service and market-based vesting criteria.

As of March 31, 2024, the Company had approximately \$ 60.4 million of remaining unrecognized stock-based compensation expense for RSUs, which is expected to be recognized over a weighted average period of 1.8 years.

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense recorded in each component of operating expenses in the Company's condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three Months Ended March 31,	
	2024	2023
Sales and marketing	\$ 1,114	\$ 945
Research and development	1,531	1,718
General and administrative	5,729	4,539
Total stock-based compensation expense	\$ 8,374	\$ 7,202

Stock-based compensation expense associated with research and development of \$ 1.0 million and \$0.9 million were capitalized as internal-use software during the three months ended March 31, 2024 and 2023, respectively.

10. NET LOSS PER SHARE

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net loss attributable to common stockholders	\$ (72,307)	\$ (44,778)
Denominator:		
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	158,180,137	154,966,163
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.46)	\$ (0.29)

STEM, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following table shows total outstanding potentially dilutive shares excluded from the computation of diluted net loss per share attributable to common stockholders as their effect would have been anti-dilutive, as of March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
Outstanding 2028 Convertible Notes (if converted)	10,157,181	15,730,390
Outstanding 2030 Convertible Notes (if converted)	33,673,584	—
Outstanding stock options	9,672,634	9,314,976
Outstanding warrants	2,533	2,533
Outstanding RSUs	8,493,136	7,204,114
Total	61,999,068	32,252,013

11. INCOME TAXES

The following table reflects the Company's (provision for) benefit from income taxes and the effective tax rates for the periods presented below (in thousands, except effective tax rate):

	Three Months Ended March 31,	
	2024	2023
Loss before (provision for) benefit from income taxes	\$ (72,154)	\$ (44,869)
(Provision for) benefit from income taxes	\$ (153)	\$ 91
Effective tax rate	(0.2)%	0.2 %

For the three months ended March 31, 2024, the Company recognized a provision for income taxes of \$0.2 million, representing an effective tax rate of (0.2)%, which was lower than the statutory federal tax rate because the Company maintains a valuation allowance on its U.S. deferred tax assets. For the three months ended March 31, 2023, the Company recognized a benefit from income taxes of \$ 0.1 million, representing an effective tax rate of 0.2%, which was lower than the statutory federal tax rate due to a \$0.3 million tax benefit from an acquisition for a partial valuation allowance release on U.S. deferred tax assets due to the deferred tax liability established in purchase accounting on acquired intangibles during the three months ended March 31, 2023.

12. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company is party to various legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to any currently pending legal proceeding is remote. However, litigation is inherently uncertain and it is not possible to definitively predict the ultimate disposition of any of these proceedings. As of the date of this filing, the Company does not believe that there are any pending legal proceedings or other loss contingencies that will, either individually or in the aggregate, have a material adverse effect on the Company taken as a whole.

Non-cancelable Purchase Obligations

During the three months ended March 31, 2024, there have been no material changes to our non-cancelable purchase obligations from those disclosed in Note 20. "Commitments and Contingencies" in the notes to consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 29, 2024.

Non-Income Related Taxes

The Company is finalizing its sales tax liability analysis for states in which it may be determined to have economic nexus. During the third quarter of 2023, the Company determined it was probable that the Company would be subject to sales tax liabilities plus applicable interest in certain states and estimated the probable tax liability to be \$5.6 million, and accordingly, the Company accrued this amount as of March 31, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, as well as other statements we make, contains "forward-looking statements" within the meaning of the federal securities laws, which include any statements that are not historical facts. Such statements often contain words such as "expect," "may," "can," "believe," "predict," "plan," "potential," "projected," "projections," "forecast," "estimate," "intend," "anticipate," "ambition," "goal," "target," "think," "should," "could," "would," "will," "hope," "see," "likely," and other similar words.

Forward-looking statements address matters that are, to varying degrees, uncertain, such as statements about financial and performance targets and other forecasts or expectations regarding, or dependent on, our business outlook; our expectations regarding future estimates of variable consideration in connection with guarantees in certain customer contracts, and the resulting effects on revenue; our ability to secure sufficient and timely inventory from suppliers; our ability to meet contracted customer demand; our ability to manage manufacturing or delivery delays; our ability to manage our supply chain and distribution channels; our joint ventures, partnerships and other alliances; forecasts or expectations regarding energy transition and global climate change; reduction of greenhouse gas ("GHG") emissions; the integration and optimization of energy resources; our business strategies and those of our customers; our ability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the effects of natural disasters and other events beyond our control; the direct or indirect effects on our business of macroeconomic factors and geopolitical instability, such as the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas; the expected benefits of the Inflation Reduction Act of 2022 on our business; and our future results of operations, including revenue and adjusted EBITDA.

Forward-looking statements are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to our inability to secure sufficient and timely inventory from our suppliers, as well as contracted quantities of equipment; our inability to meet contracted customer demand; supply chain interruptions and manufacturing or delivery delays; disruptions in sales, production, service or other business activities; general macroeconomic and business conditions in key regions of the world, including inflationary pressures, general economic slowdown or a recession, rising interest rates, changes in monetary policy, and instability in financial institutions; the direct and indirect effects of widespread health emergencies on our workforce, operations, financial results and cash flows; geopolitical instability, such as the armed conflicts between Russia and Ukraine and in the Gaza Strip and nearby areas; the results of operations and financial condition of our customers and suppliers; pricing pressures; severe weather and seasonal factors; our inability to continue to grow and manage our growth effectively; our inability to attract and retain qualified employees and key personnel; our inability to comply with, and the effect on our business of, evolving legal standards and regulations, including those concerning data protection, consumer privacy, sustainability, and evolving labor standards; risks relating to the development and performance of our energy storage systems and software-enabled services; our inability to retain or upgrade current customers, further penetrate existing markets or expand into new markets; the risk that our business, financial condition and results of operations may be adversely affected by other political, economic, business and competitive factors; and other risks and uncertainties discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and in our other filings with the SEC. If one or more of these or other risks or uncertainties materialize (or the consequences of any such development changes), or should our underlying assumptions prove incorrect, our actual results or outcomes, or the timing of these results or outcomes, may vary materially from those reflected in our forward-looking statements. Forward-looking statements and other statements in this Report regarding our environmental, social, and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking environmental, social, and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. Forward-looking statements in this Report are made as of the date of this Report, and we do not assume any obligation to update any forward-looking statements after the date of this Report, except as required by law.

You should read the following management's discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q. This discussion and analysis should also be read together with our audited consolidated financial statements and related notes, as well as the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. You should carefully read the sections entitled "Special Note Regarding Forward-Looking Statements" and "Risk Factors" herein to gain an understanding of the important factors that could cause actual results to differ materially from our forward-looking statements.

Overview

Our mission is to maximize the economic, environmental, and resiliency value of renewable energy assets through our leading artificial intelligence ("AI") platform. In order to fulfill our mission, we provide our customers, which include energy traders, asset owners, independent power producers, community choice aggregators, offtakers, renewable project developers, EPCs, O&M providers, electric cooperatives, utilities, load-serving entities, and grid operators, with (i) energy storage hardware, sourced from leading, global battery OEMs, that we deliver through our partners, including developers, distributors and EPC firms, (ii) edge hardware to aid in the collection of site data and the real-time operation and control of the site plus other optional equipment, and (iii) an ongoing software platform, Athena®, and services to operate and manage the performance of standalone energy storage, integrated solar plus storage systems, and solar assets. In addition, in all of the markets where we help manage our customers' clean energy assets, we have agreements to use the Athena platform to participate in such markets and to share the revenue from such market participation.

We operate in two key areas within the energy landscape: Behind-the-Meter ("BTM") and Front-of-the-Meter ("FTM"). An energy system's position in relation to a customer's electric meter determines whether it is designated a BTM or FTM system. BTM systems provide power that can be used on-site without interacting with the electric grid and passing through an electric meter. FTM, grid-connected systems provide power to off-site locations and must pass through an electric meter prior to reaching an end-user.

For BTM customers, Athena mitigates customer energy costs through services such as time-of-use and demand charge management optimization and by aggregating the dispatch of energy through a network of virtual power plants. Our software is designed to reduce C&I customer energy bills, increase their energy yield, and help our customers facilitate the achievement of their corporate environmental, social, and corporate governance ("ESG") and carbon reduction objectives. Through PowerTrack, our software maximizes solar energy output and minimizes asset downtime.

For FTM customers, our software decreases risk for project developers, asset owners, independent power producers and investors by adapting to dynamic energy market conditions in connection with the deployment of electricity and improving the value of energy assets over the course of their FTM system's lifetime.

Since our inception in 2009, we have engaged in developing and marketing software-enabled services, raising capital, and recruiting personnel. We have incurred net operating losses and negative cash flows from operations each year since our inception. We have financed our operations primarily through cash flows from customers, proceeds from the Merger, convertible senior notes, and issuance of convertible preferred stock.

Our total revenue decreased from \$67.4 million for the three months ended March 31, 2023 to \$25.5 million for the three months ended March 31, 2024. For the three months ended March 31, 2024 and 2023, we incurred net losses of \$72.3 million and \$44.8 million, respectively. As of March 31, 2024, we had an accumulated deficit of \$844.8 million.

We expect that our sales and marketing, research and development, regulatory and other expenses will continue to increase as we expand our marketing efforts to increase sales of our solutions, expand existing relationships with our customers, and obtain regulatory clearances or approvals for future product enhancements. In addition, we expect our general and administrative costs and expenses to increase due to the additional costs associated with scaling our business operations as well as being a public company, including legal, accounting, insurance, exchange listing and SEC compliance, investor relations and other costs and expenses.

Key Factors, Trends and Uncertainties Affecting our Business

We believe that our performance and future success depend on several factors, some of which present significant opportunities for us, and some of which pose risks and challenges, including but not limited to:

Seasonality

Our results of operations have typically fluctuated due to seasonal trends, which we expect to recur in future periods. Historically, we have recognized most of our revenue in the third and fourth fiscal quarters of each year due to various factors, including the requirement by our customers to reach target commercial operation dates for their renewable energy projects as well as tax equity and financing considerations. For instance, our revenue recognized in the third and fourth quarters of the fiscal year ended December 31, 2023 accounted for 65% of the total revenue recognized in the fiscal year ended December 31, 2023. The seasonality of our results of operations may be mitigated as our software and services offerings begin to comprise a greater percentage of our total revenue.

Customer Concentration

We depend on a small number of significant customers for our sales, and a small number of customers have historically accounted for a material portion of our revenue. While we are committed to diversifying our customer base, we may continue to

derive a significant portion of our revenue from a small number of customers. Loss of a significant customer, the inability to close a significant contract at any time, or a significant reduction in pricing or order volume from a significant customer, could materially reduce our revenue in a given quarter and have a material adverse effect on our operating results.

Supply Chain Constraints and Risk

We rely on a very small number of suppliers of energy storage systems and other equipment. If any of our suppliers were unable or unwilling to provide us with contracted quantities in a timely manner at prices, quality levels, and volumes acceptable to us, we would have very limited alternatives for supply, and we may not be able find suitable replacements for our customers, if at all. Such an event could materially adversely affect our business, prospects, financial condition, and results of operations.

DevCo Joint Ventures

We, through an indirect wholly-owned development subsidiary, have entered into strategic joint ventures with qualified third parties to develop select energy storage generation projects ("DevCo Projects"), as more fully described above under Note 1 — *Business*, of the Notes to the unaudited condensed consolidated financial statements in this report. These projects require significant upfront investment by us and involve a high degree of risk. These projects require significant upfront investment by us and involve a high degree of risk. If a DevCo Project fails to reach completion or is significantly delayed, we could lose all or a portion of our development capital investment. See "We Face Risks Related to our DevCo Business Model" in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 for additional information about certain risks related to these DevCo Projects.

Parent Company Guarantees

Prior to July 2023, we agreed in certain customer contracts, to provide a guarantee that the value of purchased hardware will not decline for a certain period of time, as more fully described above under Note 3 — *Revenue*, of the Notes to the unaudited condensed consolidated financial statements in this report. We account for such contractual terms and guarantees as variable consideration at each measurement date. We update our estimates of variable consideration each quarter, including changes in estimates related to such guarantees, for facts or circumstances that have changed from the time of the initial estimate. As a result, the Company recorded a net revenue reduction of \$33.1 million in hardware revenue during the three months ended March 31, 2024. The overall reduction in revenue was related to deliveries that occurred prior to the current fiscal year.

Because we have not included these parent company guarantees in our contracts since July 2023, and because we do not intend to provide guarantees in customer contracts going forward, we believe that excluding the effect of the \$33.1 million net reduction in revenue from adjusted EBITDA and non-GAAP gross profit enhances the comparability to these metrics in prior periods.

We do not intend to provide such parent company guarantees in customer contracts going forward. Depending on various market conditions in the future that we cannot currently predict, we may experience future revenue reductions as a result of outstanding guarantees, one or more of which may be material.

Decline in Lithium-Ion Battery Costs

Our revenue growth is directly tied to the continued adoption of energy storage systems by our customers. The cost of lithium-ion energy storage hardware has generally declined over the last decade, but increased demand and global supply chain constraints could cause price increases in the future. The market for energy storage is rapidly evolving, and while we believe costs will continue to decline over time, there is no guarantee. If costs do not continue to decline, or do not decline as quickly as we anticipate, this could adversely affect our ability to increase our revenue and grow our business. The United States Inflation Reduction Act of 2022 (the "IRA") was signed into law in August 2022 and includes incentives and tax credits aimed at reducing the effects of climate change, such as a tax credit for stand-alone battery storage projects. The implementation of the IRA is expected to further reduce the cost of battery storage systems for certain customers; however, there are numerous restrictions and requirements associated with qualifying for the tax credits and other incentives available under the IRA, and we continue to assess how the IRA may affect our business.

Increase in Deployment of Renewables

Deployment of intermittent resources has accelerated over the last decade, and today, wind and solar have become a low cost energy source. We expect the cost of generating renewable energy to continue to decline and deployments of energy storage systems to increase. As renewable energy sources of energy production are expected to represent a larger proportion of energy generation, grid instability rises due to their intermittency, which can be addressed by energy storage solutions. The IRA is expected to further increase the deployment of renewable energy assets. We are continuing to evaluate the IRA and its requirements, as well as the application to our business and our customers.

Competition

We are a market leader in terms of capacity of energy storage under management. We intend to strengthen our competitive position over time by leveraging the network effect of Athena's AI infrastructure. Existing competitors may expand their product offerings and sales strategies, and new competitors may enter the market. Furthermore, our competitors include other types of software providers and some hardware manufacturers that offer software solutions. If our market share declines due to increased competition, our revenue and ability to generate profits in the future may be adversely affected.

Government Regulation and Compliance

Although we are not regulated as a utility, the market for our products and services is heavily influenced by federal, state, and local government statutes and regulations concerning electricity. These statutes and regulations, like the IRA, affect electricity pricing, net metering, incentives, taxation, competition with utilities, and the interconnection of customer-owned electricity generation. In the United States and internationally, governments regularly modify these statutes and regulations and acting through state utility or public service commissions, regularly change and adopt different rates for commercial customers. These changes can positively or negatively affect our ability to deliver cost savings to customers.

Non-GAAP Financial Measures

In addition to financial results determined in accordance with U.S. generally accepted accounting principles ("GAAP"), we use adjusted EBITDA and non-GAAP gross profit and margin, which are non-GAAP financial measures, for financial and operational decision making and as a means to evaluate our operating performance and prospects, develop internal budgets and financial goals, and to facilitate period-to-period comparisons. Our management believes that these non-GAAP financial measures provide meaningful supplemental information regarding our performance and liquidity by excluding certain expenses and expenditures that may not be indicative of our operating performance, such as stock-based compensation and other non-cash charges, as well as discrete cash charges that are infrequent in nature. We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance and liquidity as well as comparisons to our competitors' operating results. We believe these non-GAAP financial measures are useful to investors because they both (1) allow for greater transparency with respect to key metrics used by management in its financial and operational decision making and (2) are used by our institutional investors and the analyst community to help them analyze the health of our business. Adjusted EBITDA and non-GAAP gross profit and margin should be considered in addition to, not as a substitute for, or superior to, other measures of financial performance prepared in accordance with GAAP.

Non-GAAP Gross Profit and Margin

We define non-GAAP gross profit as gross profit excluding amortization of capitalized software, impairments related to decommissioning of end-of-life systems, excess supplier costs, reduction in revenue, and revenue constraints. We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

We generally record the full purchase order value as revenue at the time of hardware delivery; however, for certain non-cancelable purchase orders entered into during the first quarter of 2023, the final settlement amount payable to us is variable and indexed to the price per ton of lithium carbonate in the first quarter of 2024 such that we may increase or decrease the final prices in such purchase orders based on the price per ton of lithium carbonate at final settlement. Lithium carbonate is a key raw material used in the production of hardware systems that we ultimately sell to our customers. The total dollar amount of such purchase orders for the indexed contracts was approximately \$52.0 million. However, due to the pricing structure in such purchase orders, we recorded revenue in the first quarter of 2023 of approximately \$42.0 million, net of a \$10.2 million revenue constraint, using a third party forecast of the lithium carbonate trading value in the first quarter of 2024. Because we had not previously used indexed pricing in our customer contracts or purchase orders and had not previously constrained revenue related to forecasted inputs of our hardware systems, we believe that including the \$10.2 million revenue constraint from the first quarter of 2023 into non-GAAP gross profit enhances the comparability to our non-GAAP gross profit in prior periods. We are expected to receive, pursuant to such purchase orders, final consideration of at least approximately \$34.0 million. We recorded the full cost of hardware revenue for these indexed contracts in the first quarter of 2023.

In the first quarter of 2024, we incurred costs of \$1.0 million above initially agreed prices on the acquisition of certain hardware systems from one of our suppliers, which resulted from production delays by such supplier. Because we had not previously incurred costs above initially agreed prices with a hardware supplier, we excluded this item from adjusted EBITDA and non-GAAP gross profit to better facilitate comparisons of our underlying operating performance across periods.

The following table provides a reconciliation of gross profit and margin (GAAP) to non-GAAP gross profit and margin (in millions, except for percentages):

	Three Months Ended March 31,	
	2024	2023
Revenue	\$ 25.5	\$ 67.4
Cost of revenue	(49.7)	(66.4)
GAAP gross (loss) profit	(24.2)	1.0
GAAP gross margin (%)	(95)%	1 %
Non-GAAP Gross Profit		
GAAP Revenue	\$ 25.5	\$ 67.4
Add: Revenue constraint ⁽¹⁾	—	10.2
Add: Revenue reduction, net ⁽²⁾	33.1	—
Subtotal	58.6	77.6
Less: Cost of revenue	(49.7)	(66.4)
Add: Amortization of capitalized software & developed technology	3.9	3.0
Add: Impairments	—	0.9
Add: Excess supplier costs ⁽³⁾	1.0	—
Non-GAAP gross profit	\$ 13.8	\$ 15.1
Non-GAAP gross margin (%)	24 %	19 %

(1) Refer to the discussion of revenue constraint in "— Non-GAAP Gross Profit and Margin" above.

(2) Refer to the discussion of reduction in revenue in "— Parent Company Guarantees" above.

(3) Refer to the discussion of excess supplier costs in "— Non-GAAP Gross Profit and Margin" above.

Adjusted EBITDA

As discussed above, we believe that adjusted EBITDA is useful for investors to use in comparing our financial performance with the performance of other companies. Nonetheless, the expenses and other items that we exclude in our calculation of adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude when calculating adjusted EBITDA.

We calculate adjusted EBITDA as net loss attributable to us before depreciation and amortization, including amortization of internally developed software, net interest expense, further adjusted to exclude stock-based compensation and other income and expense items, including revenue constraint, reduction in revenue, excess supplier costs, restructuring costs and income tax provision or benefit.

The following table provides a reconciliation of adjusted EBITDA to net loss (in thousands):

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Net loss	\$ (72,307)	\$ (44,778)
Adjusted to exclude the following:		
Depreciation and amortization ⁽¹⁾	11,154	11,958
Interest expense, net	4,707	1,777
Stock-based compensation	8,374	7,202
Revenue constraint ⁽²⁾	—	10,200
Revenue reduction, net ⁽³⁾	33,128	—
Excess supplier costs ⁽⁴⁾	1,012	—
Provision for (benefit from) income taxes	153	(91)
Other expenses ⁽⁵⁾	1,540	—
Adjusted EBITDA	\$ (12,239)	\$ (13,732)

(1) Depreciation and amortization includes depreciation and amortization expense, impairment loss of energy storage systems, and impairment loss of project assets.

(2) Refer to the discussion of revenue constraint in “— Non-GAAP Gross Profit and Margin” above.

(3) Refer to the discussion of reduction in revenue in “— Parent Company Guarantees” above.

(4) Refer to the discussion of excess supplier costs in “— Non-GAAP Gross Profit and Margin” above.

(5) Adjusted EBITDA for the three months ended March 31, 2024 reflects the exclusion of other expenses of \$1.5 million. For the three months ended March 31, 2024, other expenses are comprised of \$0.4 million of other non-recurring expenses, and \$1.1 million for expenses related to restructuring costs to pursue greater efficiency and to realign our business and strategic priorities. Restructuring expenses consisted of employee severance and other exit costs.

Financial Results and Key Metrics

The following table presents our financial results and our key metrics (in millions, except for percentages and unless otherwise noted):

	Three Months Ended March 31,	
	2024	2023
Key Financial Metrics		
Revenue	\$ 25.5	\$ 67.4
GAAP gross (loss) profit	\$ (24.2)	\$ 1.0
GAAP gross margin (%)	(95) %	1 %
Non-GAAP gross profit	\$ 13.8	\$ 15.1
Non-GAAP gross margin (%)	24 %	19 %
Net loss	\$ (72.3)	\$ (44.8)
Adjusted EBITDA	\$ (12.2)	\$ (13.7)
Key Operating Metrics		
Bookings (1)	\$ 23.8	\$ 363.5
Contracted backlog* (2)	\$ 1,639.6	\$ 1,242.6
Contracted storage AUM (in GWh)*	5.8	3.5
Solar monitoring AUM (in GW)* (3)	26.9	25.6
CARR* (4)	\$ 89.3	\$ 71.5

* at period end

(1) As described below.

(2) Total value of bookings in dollars, as reflected on a specific date. Backlog increases as new contracts are executed (bookings) and decreases as integrated storage systems are delivered and recognized as revenue.

(3) Total GW of systems in operation or under contract.

(4) Contracted Annual Recurring Revenue ("CARR"): Annual run rate for all executed software services contracts including contracts signed in the period for systems that are not yet commissioned or operating.

Bookings

Due to the long-term nature of our contracts, bookings are a key metric that allows us to understand and evaluate the growth of our Company and our estimated future revenue related to customer contracts for our energy optimization services and transfer of energy storage systems. Bookings represent the accumulated value at a point in time of contracts that have been executed under both our host customer and partnership sales models.

For host customer sales, bookings represent the expected consideration from energy optimization services contracts, including estimated incentive payments that are earned by the host customer from utility companies in relation to the services provided by us and assigned by the host customer to us. For host customer sales, there are no differences between bookings and remaining performance obligations at any point in time.

For partnership sales, bookings are the sum of the expected consideration to be received from the transfer of hardware and energy optimization services (excluding any potential revenues from market participation). For partnership sales, even though we have secured an executed contract with estimated timing of project delivery and installation from the customer, we do not consider it a contract in accordance with FASB ASU 2014-09 Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), or a remaining performance obligation, until the customer has placed a binding purchase order. A signed customer contract is considered a booking as this indicates the customer has agreed to place a purchase order in the foreseeable future, which typically occurs within three (3) months of contract execution. However, executed customer contracts, without binding purchase orders, are cancellable without penalty by either party.

For partnership sales, once a purchase order has been executed, the booking is considered to be a contract in accordance with ASC 606, and therefore, gives rise to a remaining performance obligation as we have an obligation to transfer hardware and energy optimization services in our partnership agreements. We also have the contractual right to receive consideration for our performance obligations.

The accounting policy and timing of revenue recognition for host customer contracts and partnership arrangements that qualify as contracts with customers under ASC 606, are described within Note 2 — *Summary of Significant Accounting Policies*, in the accompanying notes to the consolidated financial statements included in Part II, Item 8, “Financial Statements and Supplementary Data” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Components of Our Results of Operations

Revenue

We generate services and other revenue and hardware revenue. Services and other revenue is mainly generated through arrangements with host customers to provide energy optimization services using our proprietary software platform coupled with a dedicated energy storage system owned and controlled by us throughout the term of the contract. Fees charged to customers for energy optimization services generally consist of recurring fixed monthly payments throughout the term of the contract and in some arrangements, an installation and/or upfront fee component. We may also receive incentives from utility companies in relation to the sale of our services. Services and other revenue also includes the sale of project assets. We separately generate services revenue through partnership arrangements by providing energy optimization services after the developer completes the installation of the project.

We generate hardware revenue through partnership arrangements consisting of sales of energy storage system to solar plus storage project developers. Performance obligations are satisfied when the energy storage system along with all ancillary hardware components are delivered. The milestone payments received before the delivery of hardware are treated as deferred revenue. In certain customer contracts, we agreed to provide a guarantee that the value of purchased hardware will not decline for a certain period of time, as more fully described below under Note 3 — *Revenue*, of the Notes to the unaudited condensed consolidated financial statements in this Report.

Cost of Revenue

Cost of services and other revenue includes depreciation of the cost of energy storage systems we own under long-term customer contracts, which includes capitalized fulfillment costs, such as installation services, permitting and other related costs. Cost of services and other revenue also includes the costs for the development and constructions of project assets. Cost of revenue may also include any impairment of inventory and energy storage systems, along with system maintenance costs associated with the ongoing services provided to customers. Costs of revenue are recognized as energy optimization and other supporting services are provided to our customers throughout the term of the contract.

Cost of hardware revenue generally includes the cost of the hardware purchased from a manufacturer, shipping, delivery, and other costs required to fulfill our obligation to deliver the energy storage system to the customer location. Cost of hardware revenue may also include any impairment of energy storage systems held in our inventory for sale to our customer. Cost of hardware revenue related to the sale of energy storage systems is recognized when the delivery of the product is completed.

Gross (Loss) Profit

Our gross (loss) profit fluctuates significantly from quarter to quarter. Gross (loss) profit, calculated as revenue less costs of revenue, has been, and will continue to be, affected by various factors, including fluctuations in the amount and mix of revenue and the amount and timing of investments to expand our customer base. Over the long term, we hope to increase both our gross profit in absolute dollars and gross margin as a percentage of revenue through enhanced operational efficiency and economies of scale.

Operating Expenses

Sales and Marketing

Sales and marketing expense consists of payroll and other related personnel costs, including salaries, stock-based compensation, commissions, bonuses, employee benefits, and travel for our sales and marketing personnel. In addition, sales and marketing expense includes trade show costs, amortization of intangibles and other expenses. We expect our sales and marketing expense to increase in future periods to support the overall growth in our business.

Research and Development

Research and development expense consists primarily of payroll and other related personnel costs for engineers and third parties engaged in the design and development of products, third-party software and technologies, including salaries, bonuses and stock-based compensation expense, project material costs, services and depreciation. We expect research and development expense to increase in future periods to support our growth, including our investments in optimization, accuracy and reliability of our platform and other technology improvements to support and drive efficiency in our operations. These expenses may vary from period to period as a percentage of revenue, depending primarily upon when we choose to make more significant investments.

General and Administrative Expense

General and administrative expense consists of payroll and other related personnel costs, including salaries, stock-based compensation, employee benefits and expenses for executive management, legal, finance and other costs. In addition, general and administrative expense includes fees for professional services and occupancy costs. We expect to continue to manage and reduce our general and administrative expense associated with scaling our business operations and being a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

Other Expense, Net

Interest Expense, Net

Interest expense, net consists primarily of interest on our outstanding borrowings under our outstanding notes payable, convertible senior notes, and financing obligations and accretion on our asset retirement obligations.

Other Income (Expense), Net

Other income (expense), net consists primarily of income from equity investments and foreign exchange gains or losses.

Results of Operations for the Three Months Ended March 31, 2024 and 2023

	Three Months Ended			
	March 31,		\$ Change	% Change
	2024	2023		
	(in thousands, except percentages)			
Revenue				
Services and other revenue	\$ 14,840	\$ 14,673	\$ 167	1%
Hardware revenue	10,629	52,732	(42,103)	(80)%
Total revenue	25,469	67,405	(41,936)	(62)%
Cost of revenue				
Cost of services and other revenue	9,984	11,504	(1,520)	(13)%
Cost of hardware revenue	39,676	54,907	(15,231)	(28)%
Total cost of revenue	49,660	66,411	(16,751)	(25)%
Gross (loss) profit	(24,191)	994	(25,185)	(2,534)%
Operating expenses:				
Sales and marketing	11,126	12,406	(1,280)	(10)%
Research and development	14,136	13,444	692	5%
General and administrative	18,560	17,797	763	4%
Total operating expenses	43,822	43,647	175	—%
Loss from operations	(68,013)	(42,653)	(25,360)	59%
Other expense, net:				
Interest expense, net	(4,707)	(1,777)	(2,930)	165%
Other income (expense), net	566	(439)	1,005	(229)%
Total other expense, net	(4,141)	(2,216)	(1,925)	87%
Loss before (provision for) benefit from income taxes	(72,154)	(44,869)	(27,285)	61%
(Provision for) benefit from income taxes	(153)	91	(244)	(268)%
Net loss	\$ (72,307)	\$ (44,778)	\$ (27,529)	61%

*Percentage is not meaningful

Revenue

Revenue decreased by \$41.9 million, or 62%, for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. The decrease was driven by a \$42.1 million decrease in hardware revenue primarily due to variable consideration adjustments of \$33.1 million related to parent company guarantees as discussed in Note 3 — *Revenue*, and \$9.0 million as a result of fewer hardware deliveries. Services and other revenue increased by \$0.2 million primarily due to an increase in solar subscription services revenue from existing and new customers.

Cost of Revenue

Cost of revenue decreased by \$16.8 million, or 25%, for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. The decrease was primarily driven by a decrease in cost of hardware revenue of \$15.2 million due to a reduction in cost of materials as a result of improved lithium prices. Cost of services and other revenue also decreased by \$1.5 million primarily due to providing services at reduced costs.

Operating Expenses

Sales and Marketing

Sales and marketing expense decreased by \$1.3 million, or 10%, for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. The decrease was due to a decrease of \$1.3 million in professional services and office-related expenses.

Research and Development

Research and development expense increased by \$0.7 million, or 5%, for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. The increase was due to an increase of \$0.7 million in personnel related expenses.

General and Administrative

General and administrative expense increased by \$0.8 million, or 4%, for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. The increase was primarily driven by an increase of \$1.7 million in personnel related expenses, and an increase of \$0.5 million in professional services and other expenses, partially offset by a decrease of \$1.4 million in additional office-related expenses.

Other Expense, Net

Interest Expense, Net

Interest expense, net increased by \$2.9 million, or 165%, for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023. The increase was primarily driven by an increase of \$2.4 million in interest on our convertible notes, and the accretion of the discount on short-term investments of \$0.7 million, partially offset by a decrease of \$0.2 million in interest on financing obligations.

Other Income (Expense), Net

Other income (expense), net increased by \$1.0 million, or 229%, for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023 primarily due to the prior year's realized loss of \$1.5 million on short-term investments, partially offset by a \$0.2 million decrease in accrued interest income from short-term investments, a \$0.2 million decrease due to the reversal of previously recognized accretion expense on assets, and a \$0.1 million decrease in income from equity investments.

(Provision for) Benefit from Income Taxes

During the three months ended March 31, 2024, we recorded a provision for income taxes of \$0.2 million primarily as a result of state income tax expense. During the three months ended March 31, 2023, we recorded a \$0.1 million benefit from income taxes as a result of the partial release of our deferred tax asset valuation due to an acquisition.

Liquidity and Capital Resources

Sources of Liquidity

Liquidity describes the ability of a company to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, debt service, acquisitions, contractual obligations and other commitments. We assess liquidity in terms of our cash flows from operations and their sufficiency to fund our operating and investing activities. To meet our payment service obligations, we must have sufficient liquid assets and be able to move funds on a timely basis. Significant factors in the management of liquidity are funds generated from operations, levels of accounts receivable and accounts payable and capital expenditures.

As of March 31, 2024, our principal sources of liquidity were cash and cash equivalents of \$112.8 million, which were held for working capital purposes and for investment growth opportunities. As of March 31, 2024, we had net accounts receivable of \$239.9 million and our working capital, which we define as current assets less current liabilities, was \$168.9 million. We believe that our cash position is sufficient to meet our capital and liquidity requirements for at least the next 12 months.

Our business prospects are subject to risks, expenses, and uncertainties frequently encountered by companies in the early stages of commercial operations. The attainment of profitable operations is dependent upon future events, including obtaining adequate financing to complete our development activities, obtaining adequate supplier relationships, building our customer base, successfully executing our business and marketing strategy and hiring appropriate personnel. Failure to generate sufficient revenues, achieve planned gross margins and operating profitability, control operating costs, or secure additional funding may require us to modify, delay, or abandon some of our planned future expansion or development, or to otherwise enact operating cost reductions available to management, which could have a material adverse effect on our business, operating results, and financial condition.

In the future, we may be required to obtain additional equity or debt financing in order to support our continued capital expenditures and operations, which may not be available on terms acceptable to us or at all. If we are unable to raise additional

capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our business, growth and results of operations.

Our long-term liquidity requirements are linked primarily to the continued extension of the Athena platform and supporting applications, including Athena PowerTrack and the use of our balance sheet to improve the terms and conditions associated with the purchase of energy storage systems from our hardware vendors. While we have plans to potentially expand our geographical footprint beyond our current partnerships and enter into joint ventures, those are not required initiatives to achieve our plans.

Financing Obligations

We have entered into arrangements wherein we finance the cost of energy storage systems via special purpose entities ("SPEs") we establish with outside investors. These SPEs are not consolidated into our financial statements, but are accounted for as equity method investments. The investors provide us upfront payments through the SPEs. Under these arrangements, the payment by the SPEs to us is accounted for as a borrowing by recording the proceeds received as a financing obligation. The financing obligation is repaid with the future customer payments and incentives received. A portion of the amounts paid to the SPE is allocated to interest expense using the effective interest rate method. Furthermore, we continue to account for the revenues from customer arrangements and incentives and all associated costs despite such systems being legally sold to the SPEs due to our significant continuing involvement in the operations of the energy storage systems. The total financing obligation as of March 31, 2024 was \$64.6 million, of which \$15.4 million was classified as a current liability.

2028 Green Convertible Senior Notes

On November 22, 2021, we sold to Morgan Stanley & Co. LLC, Goldman Sachs & Co. LLC and Barclays Capital Inc, as initial purchasers (the "2021 Initial Purchasers"), and the 2021 Initial Purchasers purchased from us, \$460.0 million aggregate principal amount of our 2028 Convertible Notes, pursuant to a purchase agreement dated as of November 17, 2021, by and between us and the 2021 Initial Purchasers. Our net proceeds from this offering were approximately \$445.7 million, after deducting the 2021 Initial Purchasers' discounts and commissions and the estimated offering expenses payable by us. The 2028 Convertible Notes will accrue interest payable semi-annually in arrears and will mature on December 1, 2028, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, we may choose to pay or deliver, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock. The 2028 Convertible Notes are redeemable for cash at our option at any time given certain conditions. Refer to Note 8 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this Report for additional details regarding this transaction.

On November 17, 2021, in connection with the pricing of the 2028 Convertible Notes, and on November 19, 2021, in connection with the exercise in full by the 2021 Initial Purchasers of their option to purchase additional 2028 Convertible Notes, we entered into capped call transactions with certain of the 2021 Initial Purchasers of the 2028 Convertible Notes to minimize the potential dilution to our common stockholders upon conversion of the 2028 Convertible Notes. We used approximately \$66.7 million of the net proceeds from the 2028 Convertible Notes to pay the cost of the capped call transactions described above. We intend to allocate an amount equivalent to the net proceeds from this offering to finance or refinance, in whole or in part, our existing or new eligible green expenditures, including investments related to creating a more resilient clean energy system, optimized software capabilities for energy systems, and reducing waste through operations.

On April 3, 2023, we used approximately \$99.8 million of the net proceeds from the issuance of the 4.25% Green Convertible Senior Notes due 2030 ("2030 Convertible Notes") to purchase and surrender for cancellation approximately \$163.0 million in aggregate principal amount of our 2028 Convertible Notes. See Note 8 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this Report for additional details regarding this transaction.

2030 Convertible Notes

On April 3, 2023, we issued \$240.0 million aggregate principal amount of our 2030 Convertible Notes in a private placement offering to qualified institutional buyers (the "2023 Initial Purchasers") pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2030 Convertible Notes are senior, unsecured obligations of the Company and bear interest at a rate of 4.25% per year, payable in cash semi-annually in arrears in April and October of each year, beginning in October 1, 2023. The 2030 Convertible Notes will mature on April 1, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date. Upon conversion, we may choose to pay or deliver cash, shares of common stock or a combination of cash and shares of common stock. The 2030 Convertible Notes are redeemable for cash at our option at any time given certain conditions. See Note 8 — *Convertible Notes*, of the Notes to the unaudited condensed consolidated financial statements in this Report, for additional details regarding this transaction.

Our net proceeds from this offering were approximately \$232.4 million, after deducting for \$7.6 million of debt issuance costs primarily consisting of underwriters, advisory, legal, and accounting fees. We used approximately \$99.8 million of the net proceeds to purchase and surrender for cancellation approximately \$163.0 million aggregate principal amount of our 2028 Convertible Notes.

On March 29, 2023 and March 31, 2023, in connection with the pricing of the 2030 Convertible Notes, and on April 3, 2023, in connection with the exercise in full by the 2023 Initial Purchasers of their option to purchase additional 2030 Convertible Notes, we entered into Capped Calls (the “2030 Capped Calls”) with certain counterparties. We used \$27.8 million of the net proceeds from the 2030 Convertible Notes to pay the cost of the 2030 Capped Calls.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2024	2023
Net cash used in operating activities	\$ (621)	\$ (35,821)
Net cash provided by investing activities	4,675	67,831
Net cash provided by (used in) financing activities	3,142	(2,156)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	233	126
Net increase in cash, cash equivalents and restricted cash	<u>\$ 7,429</u>	<u>\$ 29,980</u>

Operating Activities

During the three months ended March 31, 2024, net cash used in operating activities was \$0.6 million, primarily due to our net loss of \$72.3 million, adjusted for non-cash items of \$19.7 million and net cash inflow of \$52.0 million from changes in operating assets and liabilities. Non-cash items primarily consisted of depreciation and amortization of \$10.8 million, non-cash interest expense of \$0.4 million related to debt issuance costs, stock-based compensation expense of \$8.4 million, non-cash lease expense of \$0.8 million, and other non-cash items of \$0.3 million, partially offset by provision for accounts receivable allowance of \$1.0 million. The net cash inflow from changes in operating assets and liabilities was primarily driven by a decrease in accounts receivable of \$63.9 million partially from a \$33.1 million variable consideration adjustment, a decrease in inventory of \$2.2 million, a decrease in deferred costs with suppliers of \$0.4 million, an increase in accrued expenses and other liabilities of \$1.7 million, and an increase in deferred revenue of \$2.7 million, partially offset by an increase in other assets of \$1.2 million, an increase in contract origination costs of \$0.4 million, an increase in project assets of \$0.4 million, a decrease in accounts payable of \$16.3 million, and a decrease in lease liabilities of \$0.8 million.

During the three months ended March 31, 2023, net cash used in operating activities was \$35.8 million, primarily due to our net loss of \$44.8 million, adjusted by non-cash charges of \$21.2 million and net cash outflow of \$12.3 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of depreciation and amortization of \$11.1 million, non-cash interest expense of \$0.4 million, related to debt issuance costs, stock-based compensation expense of \$7.2 million, impairment of energy storage systems of \$0.9 million, non-cash lease expense of \$0.7 million, provision for accounts receivable allowance of \$0.5 million, and net recognized loss on investments of \$1.6 million, partially offset by net accretion of the discount on investments of \$0.7 million and an income tax benefit of \$0.3 million. The net cash outflow from changes in operating assets and liabilities was primarily driven by an increase in accounts receivable of \$10.1 million, an increase in inventory of \$34.9 million, an increase in contract origination costs of \$0.8 million, an increase in project assets of \$1.4 million, a decrease in accrued expenses and other liabilities of \$31.7 million, and a decrease in lease liabilities of \$0.6 million, offset by a decrease in deferred costs with suppliers of \$28.2 million, a decrease in other assets of \$0.3 million, for future hardware orders, an increase in accounts payable of \$28.8 million due to timing of payments, and an increase in deferred revenue of \$9.9 million.

Investing Activities

During the three months ended March 31, 2024, net cash provided by investing activities was \$4.7 million, and primarily consisted of \$8.3 million in proceeds from maturities of available-for-sale investments, partially offset by \$0.1 million in purchases of energy storage systems, \$3.5 million in capital expenditures on internally-developed software, and \$0.1 million in purchases of property and equipment.

During the three months ended March 31, 2023, net cash provided by investing activities was \$67.8 million, and primarily consisted of \$1.8 million used for an acquisition, net of cash acquired, \$75.0 million in net sales of available-for-sale investments, \$1.6 million in purchases of energy systems, \$3.6 million in capital expenditures on internally-developed software, and \$0.2 million in purchases of property and equipment.

Financing Activities

During the three months ended March 31, 2024, net cash provided by financing activities was \$3.1 million, and consisted of proceeds from equity transactions to be remitted to tax authorities of \$5.2 million offset by the repayment of financing obligations of \$2.1 million.

During the three months ended March 31, 2023, net cash used in financing activities was \$2.2 million, and primarily consisted of repayment of financing obligations of \$2.1 million, and a redemption of non-controlling interests of \$0.1 million and a repayment of notes payable of \$0.1 million, partially offset by proceeds from the exercise of stock options of \$0.1 million.

Contractual Obligations and Commitments

As of March 31, 2024, there have been no material changes to our contractual obligations described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements, including guarantee contracts, retained or contingent interests, or unconsolidated VIEs that either have, or would reasonably be expected to have, a current or future material adverse effect on our unaudited condensed consolidated financial statements.

Critical Accounting Policies and Estimates

A summary of our critical accounting policies and estimates is presented in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and there have been no material changes to our critical accounting estimates during the three months ended March 31, 2024.

Recent Accounting Pronouncements

As of March 31, 2024, there have been no material changes to the recent accounting pronouncements described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. Our exposure to market risk has not changed materially since December 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures ("Disclosure Controls") within the meaning of Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Our Disclosure Controls are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our Disclosure Controls are also designed to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

Based on management's evaluation (under the supervision and with the participation of our CEO and our CFO) of the effectiveness of the design and operation of our Disclosure Controls as of March 31, 2024, our CEO and CFO have concluded that our Disclosure Controls were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting during the first quarter of 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Internal Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated,

can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Furthermore, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in business conditions or deterioration in the degree of compliance with policies or procedures.

Part II - Other Information

ITEM 1. LEGAL PROCEEDINGS

The information with respect to this Item 1 is set forth under Note 12 — *Commitments and Contingencies*, of the Notes to the unaudited condensed consolidated financial statements in this report.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Part 1, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(c) *Trading Plans*. During the three months ended March 31, 2024, no Section 16 officer or director of the Company adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c), or any non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K promulgated under the Exchange Act)

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation, dated April 28, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on May 4, 2021).
3.2	Amended and Restated Bylaws, dated October 27, 2022 (incorporated by reference to Exhibit 3 to the Current Report on Form 8-K filed on October 31, 2022).
31.1*	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*Filed herewith

**Furnished herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized on May 2, 2024.

STEM, INC.

By: /s/ William Bush

William Bush

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, John Carrington, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2024 of Stem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

STEM, INC.

Date: May 2, 2024

By: /s/ John Carrington

Name: John Carrington

Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, William Bush, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the three months ended March 31, 2024 of Stem, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

STEM, INC.

Date: May 2, 2024

By: /s/ William Bush

Name: William Bush

Title: Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Stem, Inc. (the "Company") for the three months ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Carrington, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the registrant.

STEM, INC.

Date: May 2, 2024

By: /s/ John Carrington

Name: John Carrington

Title: Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Stem, Inc. (the "Company") for the three months ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Bush, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the registrant.

STEM, INC.

Date: May 2, 2024

By: /s/ William Bush

Name: William Bush

Title: Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.