

Workhorse Group
Q2 2025 Earnings Call
August 19, 2025

Presenters

Stan March - IR

Rick Dauch - CEO

Bob Ginnan - CFO

Scott Griffith - CEO of Motiv

Q&A Participants

Craig Irwin - Roth Capital Partners

Greg Lewis - BTIG

Operator

Greetings and welcome to the Workhorse Group and Motiv joint conference call. At this time, all participants are in a listen only mode. If anyone should require operator assistance, please press star zero on your telephone keypad. A question-and-answer session will follow the formal presentation, and you may be placed into question queue at any time by pressing star one on your telephone keypad. As a reminder, this conference is being recorded. It's now my pleasure to turn the call over to your host, Stan March from Workhorse. Please go ahead, Stan.

Stan March

Thank you, Kevin. Good morning and welcome to this joint Workhorse Motiv conference call. Before we begin, I'd like to note that we posted our financial results for the quarter ended June 30, 2025, via press release as well as filed its associated 10-Q with the SEC last Friday, August 15th. We also released the news of Workhorse and Motiv entering into a definitive agreement via the press release and SEC Form 8-K likewise on the 15th. You can find all these documents as well as the presentation that will form the basis of today's conversation in the Investor Relations section of our website. We'll track along with that presentation during this call.

On slide two, you can find our legal legend as some of the comments that will be made today are forward-looking and are subject to certain provisions and subject to risks and uncertainties, as well. Given that we'll also be filing a proxy in the near future, other notices are likewise described in this legend. On slide three, you can see the call participants today. Driving the call are Rick Dauch, our CEO, Bob Ginnan, our CFO, and Scott Griffith, CEO of Motiv. And on slide four, you'll find our agenda for today's call. Following my opening remarks, I'll hand it over to Rick who will give you an update on our Q2 performance as well as a business update. Bob will then walk us through our Q2 financial results. Rick will then provide an initial merger overview. And following that -- following those comments, Scott will discuss the rationale and drivers to create a leading North American medium-duty electric truck OEM. Rick will then close the

conversation by reviewing the near-term priorities for the companies before we open the call up to questions. And with that brief introduction, I'll turn the call over to Rick.

Rick Dauch

Thanks, Stan, and thanks, everyone, for joining us on the call this morning. We are excited to dive deeper into our recently announced strategic combination with Motiv as well as discuss our strong second quarter earnings results. I'm pleased to have Scott Griffith, the CEO of Motiv, here with us today, who will help unpack some details about the strategic transaction and share more about what this holds for the future of both Workhorse and Motiv.

First, we'll start with Workhorse's second quarter 2025 results. Let's look at slide five. In the second quarter, we secured 36 purchase orders for our W56 step vans, shipping a record 32 trucks in the quarter. These record results are a testament to the hard work and dedication of the Workhorse team and were driven by the proven operating performance of our W56 line of vehicles and overwhelmingly positive customer feedback on these vehicles from the field. We believe the growing demand we see for our W56 further demonstrates the critical role Workhorse plays in the emerging transition to EV technology in the commercial vehicle space and last-mile delivery space as well as the market's recognition of the quality, value, dependability, and durability of our vehicles. The capability and reputation of our vehicles are being validated every day in the field and will continue to accelerate as more of our vehicles hit the road.

There are currently more than 60 W56 vehicles operating customer and partner fleets across the country along diverse real-world routes. Additionally, we continue to advance our product plans to broaden the W56 application options. This work included the completion of final durability testing on the 140-kilowatt design with a range of 100 miles, which is slated to go into production in early 2026. It also included development and integration efforts to install the Utilimaster Aeromaster walk-in van body on the W56 chassis, now available for order. This familiar time-tested body design adds flexibility to the all-electric W56 chassis platform, delivering its proven performance in the traditional step van form and configurations that many fleet operators know and trust.

We continue to operate efficiently, extending the company's financial runway, enabling us to reach our strategic transaction with Motiv last week. This is reflected in a decrease in operating expenses by \$7 million year-over-year while shipping a record number of vehicles in the quarter. Our near-term liquidity was further bolstered by the interim funding for Motiv's controlling investor totaling approximately 25 million through the sale leaseback and a secured convertible note financing transaction that we closed on last week. This funding will be partially utilized to pay down debt owed to Workhorse's existing senior secured lender and to finance operations through the close of the transaction. With that, I'd like to turn it over to Bob to provide additional color on our financial performance for the second quarter.

Bob Ginnan

Thanks, Rick. In the second quarter, Workhorse saw significant year-over-year improvement across almost every operating metric. Let me start by comparing some straightforward numbers, truck shipments. In the second quarter of 2024, we shipped 1 truck compared to this year's second quarter when we shipped 32, an increase of 31 trucks during the year. In fact, in the first half of 2025, we have shipped 35 trucks, which is more trucks than we did in all of 2024, which was 29. This shipment unit difference was driven almost exclusively by customer demand for the W56 step van.

Turning to slide six. Sales net of returns and allowances for the second quarter of 2025 were 5.7 million compared to 800,000 in the same period a year ago. The 4.8 million increase was due to higher W56 shipments in the current period, partially offset by the loss of revenue due to the Aero divestiture and higher W4 CC sales in the prior year. Cost of sales for the second quarter of 2025 was 13.1 million, an increase of 5.8 million compared to 7.3 million in the prior year. The cost of sales increase was primarily driven by unit cost increase from higher sales volume and an increase in inventory excess and obsolescence reserves of 1.8 million, which was partially offset by lower production expenses of 1.2 million and lower direct and indirect labor costs of 200,000, primarily due to lower headcount.

Selling, general, and administrative expense in the second quarter of 2025 were 5.8 million, a decrease of 6.3 million compared to 12.1 million in the prior year. The decrease in SG&A expense was primarily driven by a 3.1 million decrease in employee compensation-related expenses, primarily due to lower equity compensation and lower headcount, a decrease in legal and professional expenses of 1.1 million, a decrease in IT-related expense of 400,000, lower corporate insurance of 500,000, and a 200,000 decrease in depreciation and amortization expense due to the Aero divestiture. Research and development expenses during the second quarter of 2025 were 1.2 million, a decrease of 700,000 compared to 2 million in the prior year. The decrease in R&D expense was primarily driven by a \$100,000 decrease in employee compensation-related expenses due to lower headcount, a \$300,000 decrease in prototype part expenses, and a 300,000 decrease in rent expenses as well as depreciation and amortization expense.

Looking at the same key parameters for revenue and operating costs for the first half of 2024 and 2025. Sales, net of returns and allowances for the first half of 2025 and 2024 were 6.3 million and 2.2 million, respectively. For the six months ended June 30, 2025, the increase in sales of 4.1 million was primarily due to the increased delivery of W56 trucks. Cost of sales for the first half of 2025 and 2024 were 18.2 million and 14.7 million respectively. The increase in cost of sales of 3.5 million was driven due to the increase in sales volume as well as a 1.3 million increase in warranty reserve expenses, which was offset by a 1.6 million decrease in direct and indirect labor costs and a 1.3 million reversal of infrastructure expenses previously accrued.

SG&A expenses during the first six months of 2025 and 2024 were 12.6 million and 26.2 million respectively. The decrease in SG&A of 13.6 million was primarily driven by a 7.2 million decrease in employee compensation and related expenses due to lower headcount and equity

compensation, a decrease of 1.8 million in consulting-related expenses, a decrease in legal and professional expenses of 1.9 million, a decrease of 1.1 million in insurance expense, a decrease in IT-related expenses of 900,000, and a \$300,000 decrease in depreciation and amortization expense due to the Aero divestiture. Research and development expense during the first six months of 2025 and 2024 were 2.8 million and 5.5 million respectively. The decrease in R&D expense of 2.7 million was primarily driven by successful completion of the W56 initial design and production of the W56 and the W56 208-inch wheelbase truck program in the prior year. So, to summarize, year-over-year revenue and operating costs for the six-month period, revenue is up 4.1 million. Operating expenses were down 16.3 million.

Turning back to Q2. Interest expense net for the second quarter of 2025 was 600,000 compared to 2 million in the prior year. The decrease was primarily driven by higher financing fees related to the 2024 notes in the prior year. As of June 30, 2025, the estimated fair value of the 2024 notes totaled 39.5 million. During the three months ended June 30, 2025, the institutional investor converted 13.5 million principal into common stock, and the company recorded a 5.4 million fair value net gain on conversion in the condensed -- consolidated statements of operations. During the three months ended June 30, 2025 and 2024, we recorded a 1.6 million fair value net loss and a 3.1 million fair value net loss respectively in the consolidated financial statements. As of June 30, 2025, the estimated fair value of outstanding warrants totaled 3.1 million. During the three months for the second quarter, the company recorded 1.9 million fair value gain and a \$600,000 fair value loss respectively relating to outstanding warrants. Overall, net loss for the six months ended June 30, 2025, has improved from 55.5 million in 2024 to 35.4 million in 2025. If you factor out the interest and fair value adjustments, the net loss from operations improved from 44.2 million to 27.3 million.

Turning to our balance sheet on slide seven. As of June 30, 2025, the company had 2.2 million of cash and cash equivalents and 22.5 million in restricted cash, accounts receivable of 2.4 million, other receivables of \$100,000, inventory net of reserves of 32.8 million, and accounts payable of 10.8 million. In connection with the proposed transaction with Motiv, Workhorse completed two transactions with entities affiliated with Motiv's controlling investor, including a \$20 million sale leaseback for Workhorse's Union City Indiana manufacturing facility as well as a secured convertible note financing for \$5 million, each of which were consummated at the time of the execution of the merger agreement. With that, I'd like to turn it back over to Rick to discuss the Motiv transaction, how we arrived here, and how the combined company will be well positioned to build on our progress.

Rick Dauch

Thanks, Bob. As Bob mentioned, on slide eight, I'm going to touch on our transaction with Motiv and then turn it over to Scott for his perspective on the future prospects of our combined companies. Let me start by taking a moment to reflect back on our journey and highlight how far we've come since I first joined this commercial start-up company about four years ago. At the time, Workhorse's path forward was far from clear. Our Union City plant and equipment were old and outdated. Our newly designed Class 4, 5 step van was failing, both on the test

track and in the field. Since then, we have rebuilt the company from the ground up and into a streamlined, process-driven organization with market segment-leading products with a reputation for reliability, durability, and significantly lower TCO cost than comparable ICE vehicles.

We accomplished this by advancing our technology road map, iterating designs based on direct customer feedback from the field and continuing to invest to expand our product portfolio. As a result, our W56 step van has become the flagship of our portfolio with consistent positive customer feedback while offering two wheelbase options, two EV powertrain options, and now three body configurations. We partner with proven and technically capable commercial vehicle component suppliers who continue to support our efforts here at Workhorse. At the same time, we built a strong dealer network across the country and built strong relationship with operators of the largest medium-duty fleets who now know and view the Workhorse brand to be associated with the high quality, reliability, and integrity, a far cry from 2021.

We also invested heavily into our Union City manufacturing facility, turning it into the jewel of the commercial electric vehicle manufacturing segment here in the United States. That said, while we remain optimistic about the long-term transition to commercial EV vehicles, it's true that factors largely outside of our control like a shifting political landscape and changing government regulations and incentives have led to delayed fleet customer adoption rates. Gaining momentum on the revenue side of the equation has taken far longer than expected or forecasted by any OEM, automotive or Wall Street industry analysts. In light of these market conditions and with the support of our financial stakeholders, our Board of Directors and management team evaluated numerous strategic opportunities to best position Workhorse for both the near- and long-term future of the company and our stakeholders.

Our transaction with Motiv was a result of the strategic guidance from our Board. By combining with Motiv, we are creating a broader commercial truck product portfolio, strengthening our near- and long-term financial positions, and providing Workhorse shareholders the opportunity to participate in the upside of a leader in the medium-duty EV commercial vehicle market. The transaction itself has a few pieces, so I want to use this opportunity to break it down.

Starting with our transaction that merges Motiv and Workhorse. Under the terms of the transaction, at closing, Motiv will emerge with a newly created subsidiary of Workhorse in exchange for newly issued shares of Workhorse common stock. We have also taken steps to provide near-term liquidity to Workhorse and simplify our capital structure. First, we have completed two transactions with entities affiliated with Motiv's controlling investor, a sale leaseback for Workhorse's Union City Indiana manufacturing facility for \$20 million, as well as a 5 million convertible note secured note financing. These transactions are expected to provide near-term liquidity to support Workhorse's operations through closing. They also provide us with the capital to pay down debt owed to Workhorse's existing senior secured lender.

In connection with signing, we entered into an agreement with our senior lender to permit the sale leaseback and convertible note and to provide additional structure around our repayment of obligations. As a result of the agreement at closing the merger, all remaining indebtedness owed to such lender including all warrants currently held by the lender will be repaid and/or canceled. In addition, the lender will receive rights to acquire shares of Workhorse common stock. At the close of the transaction on a fully diluted basis, Motiv's controlling investor initially will own approximately 62.5% of the combined company. Workhorse's existing senior secured lender will have rights to receive common stock that represent approximately 11%, and Workhorse shareholders will own approximately 26.5% of the company. All these ownership stakes are subject to certain potential adjustments and additional future dilution.

Looking ahead, we intend to seek additional new financing to fuel go-forward plans. As part of the merger agreement and as a condition of closing, at the completion of the transaction, the combined company is expected to obtain access to up to \$20 million in debt financing provided by entities affiliated with Motiv's controlling investor. This includes approximately 10 million expected to be available in our revolving credit facility and an additional 10 million expected to be available to fund manufacturing costs associated with confirmed purchase orders of the combined company in an ABL facility. In addition, the combined company will seek to raise additional funding -- financing to fund its go-forward strategic execution plans in 2026 and beyond. The transaction is expected to close in the fourth quarter of 2025, subject to Workhorse shareholder approval and other customary closing conditions including the debt financing commitment.

Turning now to why we believe our shareholders will be poised to benefit from the upside potential of the combined company. From a strategic perspective, we believe that Motiv is the right partner for Workhorse. Together, we are a compelling and complementary fit. The combination of Motiv's diverse product portfolio and top fleet relationships with Workhorse's proven vehicles, manufacturing capabilities, and national dealer network creates a strong combined company. Together, we expect to have more scale and the ability to operate more effectively and efficiently. We believe this will enable us to compete more effectively with our industry's pure-play electric and legacy OEMs and capitalize on new opportunities to serve more customers with a more competitive advanced electric product portfolio offering.

Moreover, we are establishing a strong financial foundation from which we can advance our combined product road map. In addition to the cost synergy we expect to capture, we believe the actions we are taking to strengthen the combined company's financial position will create opportunities for margin expansion and provide greater flexibility to pursue future growth initiatives. With a simplified capital structure, we also believe that the combined company will be better positioned to raise additional capital post close. Taken together, with these actions, we believe we will be well positioned to drive sustainable growth and create long-term shareholder value. With that, I'll turn things over to Scott to share the Motiv perspective on how the combined company will create shareholder value.

Scott Griffith

Thanks, Rick. It's great to be here with you at the Workhorse headquarters in Cincinnati to discuss the compelling combination of our two leading OEMs in the medium-duty space. I want to take a step back and provide a more detailed view of Motiv for those of you that may be less familiar with our company. We're a leading manufacturer of medium-duty zero-emission trucks and buses. For more than 15 years, we've partnered with our customers to help them along in their electrification journey, building long-term trusted relationships along the way. I've personally served as CEO of Motiv for more than a year, and I'm thrilled to become CEO of the combined company at close.

I've spent much of my career at the intersection of transportation, technology, and sustainability. Prior to joining Motiv, I was CEO of Ford's autonomous vehicles and mobility businesses. For more than a decade, I was CEO at Zipcar, the world's largest car sharing network from seed stage to a public offering and ultimately through its sale to Avis Budget Group. Between my time at Zipcar and my leadership role at Ford Motor, I served as Executive in Residence a General Catalyst, a leading multibillion-dollar venture and growth stage investment firm. In addition to my work at Motiv, I'm also on the Board of NASDAQ-listed EVgo, a leading EV charging infrastructure company. I have great admiration for the talented Workhorse team, the vehicles, and the manufacturing infrastructure your company has built.

Now turning back to our slides. As you can see from slide nine, together, we believe we'll be positioned for success as a leading North American medium-duty electric truck OEM. The transaction joins Motiv's diverse product portfolio and top fleet relationships with Workhorse's proven vehicles, manufacturing capabilities, and national dealer network. This slide covers the highlights of the transaction as well as the combined company's impressive track record of delivering nearly 1,000 total vehicles and the over 17 million real-world miles driven by our vehicles.

The combination of Motiv and Workhorse creates a leading medium-duty electric truck OEM. We've developed eight supporting reasons we believe this provides a platform for future success and future shareholder value creation. One, product -- sorry, broad product portfolio targeting an attractive market, two, strong complementary customer base, three, compelling total cost of ownership to accelerate adoption, four, a proven direct sales and dealer network, five, scalable and expandable U.S. manufacturing, six, significant synergies, seven, stronger financial position and simplified capital structure, and finally, eight, strong executive leadership. I won't take the time today to go through all details on all eight of these key points, but I will focus on points one, two, four, and seven in the next few slides. In the coming weeks, we'll provide deeper detail on all eight points.

Turning to slide 10, you'll see that following the close, we'll have a full range of Class 4 through 6 trucks to serve customers. Our leading portfolio will comprise the most advanced and road-tested products, and together, we'll chart a product road map designed to deliver what our customers want in the future. This includes joint development of a Class 5, 6 cab chassis. And

importantly, we'll play in the \$23 billion medium-duty electric -- medium-duty truck segment that we believe is poised for continued electrification in the coming years. Both companies believe the next phase of large-scale adoption of medium-duty electric trucks in North America will be driven by national scale commercial fleets with tested and piloted multi-depot EV truck operations similar to the types of large customers we already support including Purolator, FedEx, Cintas, Aramark, and others.

Turning then to slide 11. We have a strong and complementary customer base. And together, we've served 10 of the largest medium-duty fleets in North America, positioning the combined company to expand adoption through these existing relationships with the most likely early scalars. We believe there is ample room for cross-selling and increasing new and existing customer contact and confidence as we bring the two organizations together.

Moving to slide 12. Together, the companies will have significant commercial capabilities as we bring together Motiv's consultative and direct selling methodology and processes for growing from pilots to large multi-order relationships with Workhorse's robust dealer network. Workhorse has 19 dealer locations and is able to sell across all 50 states. Together, we'll be able to increase customer contact and confidence through a much stronger go-to-market strategy. We'll combine Motiv's strong experienced sales team with Workhorse's national dealer network to foster what I call a new team sell approach with the dealer groups that will allow their sales professionals to participate in the sales process and help them sell more trucks.

Turning to slide 13. Rick touched earlier on the new liquidity this transaction provides to Workhorse to support the company through close along with debt financing at close and a significant synergy opportunity, which we project to be at least 20 million by the end of 2026. The company will have a stronger financial position and simplified capital structure from which to execute its goals. This will support our ability to drive lower unit costs while optimizing total cost of ownership for our customers. Widespread adoption of medium-duty electric trucks we believe will come from achieving cost parity versus internal combustion and diesel trucks and offering compelling long-term value, and this will be a primary focus of the combined company.

In summary, we're really excited about this combination. Following the close of the merger, as one company, we'll have more vehicles delivered and more miles on the road than any other medium-duty truck OEM. We'll combine that with world-class engineering talent, a best-in-class supply chain, and a fantastic manufacturing facility in Union City, Indiana. All of this will be commercially powered by top-notch sales leaders and dealers and a proven executive team. We can't wait to get everything we've just told you underway so we can deliver a best-in-class product to our customers and deliver new shareholder value for our investors. With that, Rick, I'll turn it back to you to close this out.

Rick Dauch

Thanks, Scott. Over the next several months, we will continue to work towards completing our transaction with Motiv, which we expect to occur in the fourth quarter of 2025. As we do that,

our focus remains on expanding our product portfolio including by ensuring reliable fleet operations and customer satisfaction in the field as well as finalizing plans for the W56 140-kilowatt production launch in 2026. We will work with the Motiv team on a planning to integrate our product road maps and R&D technology, allowing us to hit the ground running once the transaction is completed. We will also continue to strengthen our financial position by fulfilling fleet purchase orders, expanding dealer-led sales, and continuing to convert finished goods inventory into cash. Together, the teams will also begin the planning process for our go-to-market strategy and how we will best optimize operations at deal close. I hope you share our excitement for the future of our combined company and see the significant opportunities ahead to win in the commercial EV transition world. Thanks for joining today's call. And now I'll hand it back over to the operator, Kevin. Thanks.

Operator

Thank you. We'll now be conducting a question-and-answer session. If you'd like to be placed in the question queue, please press star one on your telephone keypad. Once again, that's star one to be placed in the question queue. One moment, please, while we pull for questions. Our first question is coming from Craig Irwin from ROTH Capital Partners. Your line is now live.

Craig Irwin

Good morning and thanks for taking my questions. So, this question is really a question for Scott, right? There's different strengths on the Workhorse side and on the Motiv side. But one area where Motiv has kind of invested over the last number of years is the market opportunity in New Jersey. You guys have been working with Hudson County Motors for several years now. And those guys in Secaucus are in a pretty interesting place now that the New Jersey ZIP is the most attractive funding opportunity in the country. Can you maybe talk a little bit about your history working with Hudson County and the New Jersey ZIP so that the investors interested in Workhorse can understand that? And maybe I need to be corrected about Workhorse's history with New Jersey. But can you maybe give us a scope or approximate number of vouchers you've helped clients procure and if you have any in hand? And if there's anything on the Workhorse side or that could maybe be used for the Workhorse side to facilitate the growth over the next couple of years.

Scott Griffith

Craig, thanks for your question. It's a really good point. We have a fantastic relationship with Hudson County Motors. I think that's going to expand. And in fact, I think it's a good example of how we can develop relationships in other states, frankly. You probably know there's a voucher program that is continuing, and there's a new voucher program that's being developed in adjacent states including New York. So, we think that's going to be extensible into new locations. A lot of those relationships are going into people mover and box trucks both. So, we anticipate that opportunity will continue through Hudson County and relationships that look a lot like that. So, thanks for your question. I think it's extensible to the future. And it really develops this consultative sale approach that I mentioned during my comments, Craig, where we really help sell with the customer and the dealer together, and then the dealer kind of gets

this delivery done and help serve the customer in the market. So, I think that joint effort that we're doing with Hudson County is exactly the kind of model we're moving to where we bring our direct sales approach in with the dealer network that Workhorse has developed. And using that as an example across the country is the way we see the future. Thanks again for your question.

Craig Irwin

Excellent. Excellent. Then -- my second question, I guess, is for the team, right? Most important thing for Workhorse has been growth, revenue growth, and the market has not necessarily been cooperative, right? We've had some very promising programs from the federal government as well as from different state governments, which have had -- some of them had false starts. Some have provided a lot more support than anticipated. Can you maybe flesh out for us what the combined company looks like as far as being able to access these different programs? Is this going to be something that's maybe a more effective target for you guys with the combined entity? And what are your thoughts around growth and continued deliveries growth into '26?

Rick Dauch

Craig, great questions. Obviously, there's been a lot of changes in both the federal level and in some of the state levels and some of the government incentive programs and tax incentives. As recently last week, CARB has now republished their new incentive programs for California, restoring the Class 5, 6 type incentives, \$85,000 for trucks and up to 165,000 for small business owners. We think that's going to be positive for us. We've worked closely with other EV manufacturers to help lobby CARB to get that done, and we see a big adoption rate going on in California. So, a lot of the large fleets, almost -- both companies, as Scott said, have covered over 10 of the major fleets in North America. We've successfully passed all of our demonstrations there.

One of the issues we had as a start-up company is we had a balance sheet that's a little bit risky. We've already heard from two or three of the largest fleets, both Scott and myself individually and from one of our dealers, they like this deal because it gives us a stronger balance sheet with a strong financial backer in Motiv primary investor. Gives them more of a green light to go try some. I've talked to one of the largest fleets. They have over 300 charging stations installed out in California that don't have electric vehicles right now because they couldn't find others with electric vehicles that last more than 90 to 120 days. Our trucks are proven in the field. Whether it was minus 20 degrees over Christmas during the holiday season or 118 degrees out in Arizona in the last two weeks, our trucks have performed flawlessly. We've had zero service call. I'll give it back to Scott to give his opinion about it.

Scott Griffith

Yeah, Craig. I love the question. Maybe just a couple of other aspects that I'd add on. One of the reasons we have this financing that we structured that comes in at closing is, under the condition that we get some of these orders you're just asking about, we're going to have the

working capital support for parts and production to get those into the system right away. That's been an issue in the industry in the past. People wait for orders before they can actually order parts. It takes an awful long time to then develop the inventory and build the truck and get it out through a body builder to the customer. We're trying to circumvent that time frame and really bring it to a much shorter, much more assured delivery date, and we think that will help our ability to deliver against these new orders now.

I'd say the second thing, look, we love these voucher programs. We love working with the states. At the end of the day, long-term, the successful OEM EV company, truck company is going to have to be competitive against internal combustion engines and diesel engines on an apples-to-apples basis, no vouchers, no cost support, no other support. And at the end of the day, that's what this transaction can do. We think it gives us the scale. It puts us on a product development road map to do that. And we've already got more trucks and more miles than anybody else. So, we're kind of coming down that TCO development curve together after we close this deal. So, I think near term, we've got more financial support Rick mentioned. We've got this new debt structure that we're going to put in place to help support orders through those voucher programs. And then long-term, our vision is to be the low-cost provider and have the lowest TCO in the industry, and we're going to work very hard to get that.

Rick Dauch

Scott, just to reiterate a couple of things here. I served on a public company board for over 11 years. And in the commercial step van space, it's been a double duopoly for a long time between chassis supply and body upfit, right? I'll give you an example. We shipped some of our trucks to one of the fleets last September. They arrived in the field in July. That's how long the upfit process took. We're still the only OEM in North America that can build our own stripped chassis from scratch and put a cabin box on it. It doesn't take much capital investment to go into the upfit part of the business, as well. That will be up to Scott and the new leadership team as we go forward. We think we can offer these large fleets -- rather than have trucks sit waiting to be upfit for 9 to 12 months, we can have it go from order to delivery in less than 6 months. That's a big strategic and operational advantage for this combined company.

Craig Irwin

Great. I like that. I like this deal. Congratulations for pulling it all together.

Rick Dauch

Thanks. We appreciate your support all the years. We'll see in the field.

Scott Griffith

Yeah. Thanks, Craig. Appreciate it.

Operator

Thank you. Next question is coming from Greg Lewis from BTIG. Your line is now live.

Greg Lewis

Yeah. Hey. Thank you and good morning and thanks for taking my question and congrats on getting this deal to the finish line. Scott, I did have a question for you. I mean, clearly, the bus business, the Class A school bus business has been really a small part of Motiv business. Like, as you think about the opportunity bringing that into -- under the -- merging with Workhorse, just giving to Rick's comments about the ability to kind of really build vehicles, use their chassis, like, do we -- how are you thinking about this? Is this a potential opportunity to really ramp that part of the market? Which I think everybody is waiting for step vans to get better. But this -- the school bus market does seem like a pretty -- it seems like it's here now and doing pretty well.

Scott Griffith

Yeah. Greg, I appreciate the question. And I agree with, I think, the direction you're kind of going. It's school buses, and it's also shuttles. It's both. They're really the same platform. They kind of have slightly different conditions when you build them. But the underlying platform, the bodies are roughly the same. That market has continued to develop. There's also some financial support for that. And frankly, there's a lot of community support for it because you're putting kids on buses that are much cleaner, and you're putting shuttles on airport and other really tight operations in a much cleaner setting.

So, I think there's financial support for it. There's -- and these don't run high miles. They tend to run fairly low miles. So, they kind of hit the exact duty cycle that the battery technology, the electric vehicle technology can hit right now. So, it's really a nice, sweet spot for us. And we think on a cost basis, TCO basis, we're highly competitive against the ICE counterparts in that space. So, I agree with you. I think we're going to bring that together. We'll do more of that as we can together. And -- but we already see lots of opportunity. And I'd say adjacent to that is the municipal space, box trucks in particular, small work trucks. Again, driven by some of the same underlying demand, these are highly dense urban populations where municipalities, school districts, airports want to have lower carbon impact, so they're really looking at using electric vehicles to help do that. It's a very visible way for them to deliver on the promise to do that. So, we think that segment is exciting. It's going to continue to be, in our opinion, robust for the next few years. And as the rest of the commercial duty -- commercial electric truck market develops, that will continue to be a big slice of the pie that we're going to go after.

Greg Lewis

Super helpful. Thank you very much.

Operator

Thank you. I'd like to turn the floor back over to management for any further comments or questions.

Stan March

Yeah. Thank you very much, Kevin. In addition to the questions that we just heard, Workhorse solicited questions from shareholders, and we received many of them into the e-mail box. And

for this part of the program, what I'd like to do is summarize the ones that were similar and ask the management team members present to respond to the various questions that came directly from shareholders. I actually will take the first one. In the first question, we were asked, what are the terms of the sale and leaseback agreement? What are the terms of the convertible note? And what are the terms in the merger agreement for closing?

And what I can say there is every one of those documents that you need to get the information out of is filed in the 8-K that was filed with the SEC on Friday. You can find every one of those terms, conditions to close and whatnot and the sale and leaseback dynamics all in there. So, it's available. Of course, we'll be filing a proxy, as well. We'll have more further details, but you can find the specific information you're looking for right there in that 8-K. Glad we can point that out to you. So, the questions range a wide variety of topics. Let me start with the first one. One investor asked, why is a reverse split on the table in connection with the approval of this transaction? And I'm going to ask Bob Ginnan that question. Bob, why is that?

Bob Ginnan

So, the reason is, because the transaction involves a potential change of control of Workhorse, Workhorse will be treated as a new applicant for NASDAQ listing and must meet its initial listing standards. Those standards include minimum price thresholds between \$2 and \$4 depending on other factors. And as a result, we may need to effect a reverse stock split in order to meet these standards.

Stan March

Okay. Thanks, Bob. We got one more for you, Bob. Can you provide the details on the math for the stated 105 million valuation that was in the press release last week?

Bob Ginnan

Yeah. The go-forward entity is being created as a combination of the following contributions: \$50 million from the Motiv side of the business contribution, 30 million from the Workhorse business contribution, and 25 million, which is a combination of the value of sale-leaseback transaction and the convertible note on an as-converted basis. That totals 105 million.

Stan March

Okay. Thank you, Bob. Scott, I have one for you. Can you provide more details on Motiv's financials or pro forma financials for the combined company given that the Workhorse shareholders will own approximately 26.5 of the combined entity?

Scott Griffith

Yeah. What I can say is that we'll provide quite a bit more detail in our -- in the proxy. I think the timing of that is weeks away now. We expect to file. What I can say is the transaction really strengthens the company's financial position, expected to create opportunities for our margin expansion, doing that together, reducing BOM, using volume on the production side, and then enabling greater flexibility to pursue future growth initiatives. So, I think we're in a good

position now. You'll see more details in the proxy, and then the go forward, which we'll talk about in a subsequent presentation to really go after future growth initiatives at a lower cost structure.

Stan March

Thank you, Scott. A number of folks were -- a number of shareholders were asking questions about product portfolio. So, let me ask both Scott, you, and Rick, how do you plan to address the overlap in the combined portfolios, specifically in the Class 4 through 6 where both companies have existing products?

Scott Griffith

Rick, why don't I take that first? I think we both noted that as a combined company -- and it was on one of the slides. We'll have a full range of Class 4 through 6 trucks to serve our customers. We think these are the most advanced road-tested products out there. That's going to mean a lot to the -- especially the larger fleet customer, the experienced fleet customer operator that we're going to target. We'll be developing a Class 5 and 6 cab chassis together. We bring a pretty decent head start on that into the mix. And then we'll be continuing to work on a longer-term cycle plan, product road map, if you will, that really targets that. And back to a question that was asked, we'll be continuing to focus on the bus and shuttle business, something Workhorse has not really played in in the past. We think that's an extensible growth opportunity, as well. So, full stack of products from Class 4 through 6. Lots of different body configurations that we can support from that and a cost structure that I think is going to be much more attractive going forward.

Rick Dauch

Yeah. Let me jump in, Scott. We're working with the Motiv team on integration planning across all functional parts of the company including our product portfolio and our R&D road map. There's many details to be determined. At a high level, Workhorse imports a Class 4 cab chassis from China. Motiv uses a U.S.-made cab chassis. So, you can factor in tariffs, et cetera. We'll see how that plays out. On the Class 5/6 chassis standpoint, Motiv uses one from an OEM here in North America where Workhorse is designed from scratch and built in-house. So, Scott and I are going to work on that. We'll get the best products at the best cost going forward. Critical for us, we use different battery suppliers today. We'll have to map out our battery supply situation going forward. And we're going to map out our supply chains to make sure where there's overlap and where there's not overlap, we can kind of see what we can do going forward. So, a lot of work to do. Good news is we both have well-qualified set of engineers both in mechanical, electrical, and software, and we'll put those guys to work pretty quickly, so.

Stan March

Thanks. I think a question for the combined CEOs again, if you don't mind. Is the financing in connection with the transaction enough to fund operations, or will you need to raise more capital in the future?

Rick Dauch

Great question. I'll go first. So, we believe that the proceeds from the sale leaseback and the convertible note coupled with the potential for additional capital from our existing secured lender will be sufficient to support Workhorse's ongoing operations through the transaction close and provide sufficient capital to pay down all the outstanding debt owed to our existing senior secured convertible note holder at closing.

Scott Griffith

Right. And then I'll just add to that, Rick. If you note in the merger agreement, and it's been mentioned a few times on the call I think, there's a condition to close that our controlling investor at Motiv will provide up to 20 million in debt financing, and that's split between some working capital support on an asset-backed lending structure and then just normal operating support against the company's operating cash flow needs. So, I think we've got both of those pieces in place as we hit. And as we get new orders, we can kind of get those orders into the system quickly using that structure. And then also, following the completion of the transaction, we'll look to raise additional capital to fund the company's go-forward strategic execution. We'll be talking more about that in the coming months as we get closer to the close. And then lastly, I'd say with a stronger financial position, we'll be better positioned to pursue future growth initiatives as a combined company. That product road map that Rick and I just talked about, expanding our sales activity is something that we'll want to invest in. And so, that's -- those are exciting new growth avenues for us as we get this uniform product portfolio put together.

Stan March

Thank you very much, Scott and Rick. We got a question that we certainly want to answer very specific. Bob, I think I'll ask you. Did Workhorse retain any patents when it had the transaction for the Aero division? Can the company still use any of that intellectual property?

Bob Ginnan

So, Stan, all the drone-related patents were included with the divestiture of the Aero division.

Stan March

Okay. I think back to the CEOs, does Workhorse or Motiv have any near-term contracts, regulatory approvals, or partnerships or other announcements in the near term that will increase shareholder confidence in the combined company? Or maybe said a different way, are there any potential customers that you'd expect will submit purchase orders only if this transaction is completed?

Rick Dauch

Great, Stan. We've had conversations with the customers that started since the announcement, and we've received initially strong feedback. I can tell you that I have been on calls since Friday with our largest dealer. He's excited to meet Scott and understand the product portfolio at Motiv and see how he can help us. We're also working with him on a big opportunity for a large order for a fleet. Second, we've talked to one or two of the big fleets at my level, and Scott's

talked to a couple of them, as well. With the stronger balance sheet, with the capability of the manufacturing, and the capital they have approved in their future spending, it looks like we can go out and secure some additional orders. We're not going to comment any further until we actually receive those new orders. So, it's on us right now, and Scott and I are going to work together to go out and secure additional orders that we hope to close before the deal is finalized.

Scott Griffith

Yeah, Rick, I think I would just add, I have also personally talked to some of our customers, James Griffin, our CRO, talk to our customer base. We've had universal great support from -- for the idea behind this. I think the compelling eight points that we went through earlier about the support for why this transaction makes sense strategically and financially, I think our customers are pretty quickly seeing that, and they see the benefits that will accrue to them over time. So, I'm excited about the feedback we've had in the past few days since we announced the merger. The other thing I'd say is the timing of this transaction and assuming we close in Q4, it lays in directly to the buying cycle for next year for 2026. Large fleets primarily that we deal with start doing their planning, their budgeting, and their fleet sizing between now and into Q4. And so, we fit right into that buying cycle, that planning cycle. So, I really like the way this dovetails into that. So, we'll be starting conversations as we start moving toward close with customers about their plans for next year and walking them through how we see the combined portfolio of products fitting into that and how we can support their plans for development of electric vehicle fleet expansion next year. So, we're excited about the timing of this. That part is a little bit lucky. Sometimes you got to be a little bit lucky. And I think our timing here is really good.

Rick Dauch

Just one comment Scott gave me on Monday. He had a call with one of the fleets that we spent an extensive amount of time last year on a demo for over several months, and our truck passed with flying colors, ranges from 50 to 150 mile with payloads up to 5,000 pounds. We didn't miss a beat, but the customer was concerned about our balance sheet and our ability to sustain the company going forward. By putting these two companies together and having a clean balance sheet with the right financial backing, that alleviates that issue, and hopefully, we can turn that now into a real PO.

Stan March

Okay. And I think the last summary question I think mostly is for you, Scott. I know you've talked about this, but let's come at it again. What's the first priority in driving sales in the new organization? How will the new Workhorse target the market? And do you have any particular customers that you want to attract, or do you feel like you've got a broad enough group now?

Scott Griffith

Yeah. I mean, look, the secret to success here is these larger fleets at the starting point. We've developed what we think of as a four-phase program that starts with a pilot. It then often results in a first order and then a multiyear contract with multiple orders after that. That cycle

can take anywhere from 12 months to a couple of years to get through. So, we want to continue those. We're in those conversations with, as I mentioned earlier, 10 of the largest fleets in North America. All 10 of those are currently commercially operating with one of our companies.

We'd like to get to the next 30 or 40 of those and start that same discussion that we've proven this track record of how we get you started in pilots, how we get you into a single depot operation at some scale, and then we use the multiple depot operations including the infrastructure required and then the maintenance and parts and support and customer service. So, I think that continues to -- so, we've got this direct sales approach that we take on our side. We're going to combine that with the dealer network. And from my perspective, that's a peanut butter and chocolate combination because it really is a very straightforward -- the big fleets that we speak with, they really want to talk directly with the OEM as they start really understanding this transition. Once they get more comfortable, they get enough trucks on the road, the dealer can start to play a much more important role. So, we see this as a transition from our direct sales model, the Workhorse model, which is maybe more focused on the dealer side. Put those two together, and now we work all the way through those four phases I mentioned from early, early adoption in a pilot phase all the way to hundreds and maybe thousands of trucks in the fleet.

We can support that whole journey now in our customer road map. So, we'll be combining our experienced sales team with the national dealer network to foster this new team sell approach I mentioned earlier with the dealer groups, allow their sales professionals to participate in the sales process. It's pretty difficult for a dealer to make the first sale of an electric truck to a fleet that's never run an electric truck before. It's a complicated sale. There's a lot to answer on the technology. There's a lot to answer on the economics of these trucks. We like to do that directly and then bring the dealers in as our partner. And that's what the combination of these two companies is going to allow us to do at real scale now.

Rick Dauch

Yeah. Let me comment on that just quick. We have experience with a few fleets out there. It's almost followed the exact same pattern Scott talked about. You have to have a successful demo or pilot, which is typically one to a few units. Those demos take 30 to 180 days. They're used in different scenarios, range of the route, payloads, et cetera. If you pass that demo pilot, you can get to an initial order with -- these are expensive trucks. They can see an order from maybe 5 to 20 trucks. The fleets want to run those trucks now in the field for a year across all the seasons including the peak season. And if you are successful there and you give good service to the field because sometimes these trucks get banged around, they have a heavy usage, then they make a big decision about are they making the capital expenditures to actually make the transition to EVs.

That starts with the charging systems. And Scott's position on the Board at EVgo helps give him insight to the fleets across the country that are -- I'll go ahead and put it into EV charging

systems and also where they're going in by states. And then you start seeing the bigger orders from the bigger companies. And there's a couple who are leaders in the industry both north of the border and here in the United States. We think we're well positioned with two of the leaders to earn their initial big EV transition design buys. And that's a big capital expenditure. These companies buy these trucks, and they hold on them from anywhere from 10 to 15 up to 20 years. What we're seeing on our own stables route, we're seeing paybacks of less than three to four years depending on the incentive programs going on. So, that's a good business decision. This is not going to be driven by incentive programs long term, as Scott said, we have to drive the cost of vehicles down, including battery costs, manufacturing efficiencies. And if we do, we're confident there's a great business case for these fleets to go electric.

Scott Griffith

And to sort of close that out, I think this merger puts us in really a good position to be able to do that as a real -- one of the real industry leaders with scale and a supply chain that's really excited about supporting us as we start to scale up.

Rick Dauch

And I can tell you from one of the fleets we deal with, there's three or four people who have been fighting for that business. One company has been taken off the bid list because their trucks don't last more than 90 to 120 days. Another one hasn't passed the initial pilot phase. So, we're well positioned. We got to go out and win that business.

Stan March

Okay. That actually is -- I think we've wrapped up in summary fashion the questions that came in from the shareholders, and thank you very much for those of you who took the time to respond. We tried to make sure we got all the relevant questions addressed here. Kevin, unless there's another call on the line, I think we can wrap it up from here.

Operator

Sure. Do you have any further closing comments?

Rick Dauch

Well, I appreciate the opportunity to -- and thanks for your patience with us. Look forward to rolling up our sleeves and working with the Motiv team to put these two companies together by the end of the year. And then Scott can have the baton and he can run the next lap here at Workhorse.

Scott Griffith

My only last comment is I imagine both of our teams -- a number of our team members are listening. As Tom Brady says, let's go.

Rick Dauch

Let's go.

Stan March

Thank you very much. Signing off.

Operator

Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.