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Aug. 13, 2025 at 4:30 p.m. ET

Chief Executive Officer ? Dakota Semler

Chief Operating Officer ? Giordano Sordoni

Chief Financial Officer ? Liana Pogosyan

General Counsel ? David Zlotchew

GAAP gross margin decreasedfrom 20.6% in the first quarter of 2025 to 8.8%, due to "changes in product mix" and "additional tariff costs."

Liana Pogosyan stated that non-GAAP operating loss guidance for fiscal 2025 was revised upward to $24.4 million?$26.9 million. This reflects changes in the expected product mix for the second half of 2025, as well as increased costs tied to new tariff structures on parts and commodities.

Ongoing liquidity concerns were directly acknowledged: "We are continuing to manage our liquidity position and actively exploring options for enhancing our liquidity."

Revenue-- $18.4 million in revenue for the second quarter of 2025, the highest quarterly revenue in company history, generated from deliveries of 135 vehicles.

Unit deliveries-- 135 vehicles delivered, also a record high for the company, with significant shipments to UPS and FedEx ISP customers.

Order book-- Initiated delivery of the company's largest-ever order, exceeding 200 units for a single customer.

GAAP gross margin-- 8.8%, declining from both the previous quarter (20.6% in the first quarter of 2025) and the prior year (13.1% in 2024), attributed to higher units delivered to national account customers with long-term structured pricing, as well as the impact of tariffs, contributed to the decline in GAAP gross margin.

Non-GAAP gross margin-- Non-GAAP gross margin was 1.4%, marking eight consecutive quarters of positive non-GAAP gross margin.

Operating loss-- Operating loss (GAAP) was $7.1 million, the lowest quarterly GAAP operating loss since going public, improving sequentially.

Operating expenses-- $8.7 million in operating expenses, reduced by 17% sequentially.

Free cash flow-- $4.6 million in positive free cash flow, representing the highest in company history.

Cash and equivalents-- $8.8 million in cash and cash equivalents at quarter-end, up sequentially.

Inventory-- Inventory decreased to $31 million, attributed to "strong unit sales outpacing production."

Convertible note agreement-- Amended agreement with Aljamet Automotive to extend principal repayments to quarterly installments from November 2025 through February 2028, monetarily freeing up capital for growth.

Product diversification-- Expanded deliveries of powertrain units to Bluebird, receiving orders for nearly 20 powertrain units from Bluebird since quarter-end.

Hub product-- Continued deployment and development, with a 2026 update planned for "greater power resilience, energy cost optimization, and load balancing."

Fiscal 2025 guidance-- Reaffirmed: Revenue of $50.2 million?$65.8 million and 320?420 units delivered for fiscal 2025; updated non-GAAP operating loss guidance to $24.4 million?$26.9 million for 2025 due to product mix and new tariff costs.

Tariff impact-- CEO Dakota Semler stated, "at the lowest end of our product range, the tariff impact can be about 5% of our ASPs. And at the highest end, it can go up to about 15% of our ASPs."

Xos(XOS 3.56%) reported its highest-ever quarterly revenue and vehicle deliveries, achieving notable penetration with major customers such as UPS and FedEx ISP. Balance sheet liquidity improved sequentially, buoyed by record cash generation and material reductions in operating costs. The company adjusted its convertible note repayment terms, extending obligations and converting accrued interest to equity, which increases alignment with its largest shareholder. Operating losses and expenses hit new lows, aided by stringent cost management, while robust accounts receivable collections and decreasing inventory contributed positively to working capital. The business highlighted expanded order activity in powertrain solutions and continued development of its hub product for grid-constrained and industrial markets, without yet entering production on its new MDXT platform. Revised guidance for non-GAAP operating loss reflects the explicit financial impact of tariffs and shifting product mix, with the firm affirming core revenue and delivery outlook for the remainder of 2025.

Pogosyan said, "This quarter marks our eighth consecutive quarter of positive non-GAAP gross margin performance."

Largest-ever customer order executed, signaling deeper relationships and increasing fleet confidence in Xos platforms; management expects average order size to rise as cost benefits become evident for fleet customers.

The amended convertible note terms with Aljamet Automotive free up capital by spreading principal repayments and issuing equity for interest, which management framed as increasing strategic flexibility and shareholder alignment.

Xos continues to actively pursue additional funding through debt or equity offerings, as indicated directly by management.

Step van platform: Battery-electric walk-in delivery vehicle chassis primarily serving last-mile delivery applications.

Powertrain units: Electric propulsion systems sold as sub-assemblies or retrofits to other OEMs for electrification of their vehicle platforms.

Xos hub: Modular charging and mobile energy infrastructure for fleet electrification and industrial temporary power use cases.

MDXT platform: Xos?s new medium-duty chassis cab vehicle designed for customizable vocational and municipal fleet applications.

OEM: Original Equipment Manufacturer; in this context, refers to manufacturers purchasing Xos technology to integrate into their own vehicle lines.

FedEx ISP: Independent Service Provider segment; fleet operators serving FedEx under a contractual delivery model.

Operator: Good day, and welcome to Xos, Inc. Second Quarter 2025 Earnings Conference Call. All participants will be in listen-only mode. By pressing the star keys followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touch-tone phone. To withdraw your questions, please press star then 2. Please note this event is being recorded. I would now like to turn the conference over to David Zlotchew, General Counsel. Please go ahead.

David Zlotchew: Thank you, everyone, for joining us today. Hosting the call with me are Xos' Chief Executive Officer, Dakota Semler, Xos' Chief Operating Officer, Giordano Sordoni, and Xos' Chief Financial Officer, Liana Pogosyan. Today, after the close of regular trading, Xos issued its second quarter 2025 earnings press release. As you listen to today's conference call, we encourage you to have our press release in front of you, which includes our financial results as well as commentary of the quarter and six months ended 06/30/2025.

Management's statements today reflect management's views as of today, 08/13/2025 only, and will include forward-looking statements including statements regarding our fiscal year 2025, management's expectations for future financial and operational performance, and other statements regarding our plans, prospects, and expectations. These statements are not promises or guarantees and are subject to risks and uncertainties, which could cause them to differ materially from actual results.

Additional information about important factors that could cause actual results to differ materially, including, but not limited to, Xos' ability to access capital when needed and continue as a going concern and potential supply chain disruption, including as a result of changes to or uncertainty around trade policies and tariffs, is included in today's press release and in our filings with the SEC, including our most recent annual report on Form 10-Ks, and subsequent filings. We undertake no obligation to update forward-looking statements, except as required by law. You should not put undue reliance on forward-looking statements. Further, today's presentation includes references to non-GAAP financial measures and performance metrics.

Additional information about these non-GAAP measures, including reconciliations of historical non-GAAP measures to the comparable GAAP measures, is included in the press release we issued today. Our press release and SEC filings are available on the Investor Relations section of our website at www.exostrucks.com/investor-overview. With that, I now turn it over to our CEO, Dakota.

Dakota Semler: Good afternoon, everyone. Thank you for joining us. Our primary focus continues to be disciplined growth, improving gross margins, and ensuring liquidity. These pillars guide our day-to-day decision-making and our long-term strategy. In 2025, we made meaningful progress on each of these fronts. We delivered 135 vehicles in the second quarter, generating $18.4 million in revenue, making it the highest quarterly revenue and unit deliveries in Xos' history. A significant portion of these deliveries went to UPS and FedEx ISP customers, underscoring the confidence that national carriers are placing in our products. In parallel, we reaffirmed our commitment to our existing customers by shipping additional units under previously announced agreements.

During the quarter, we also began fulfilling a 200-plus unit order for a single customer, which is the largest order in our history and reflects the increasing scale of our customer relationships. Our GAAP gross margin for Q2 was 8.8%. This decline reflects a mix of higher units delivered to national account customers with long-term structured pricing as well as the impact of tariffs that were not expected when such pricing was initially structured. While these large orders offer lower margins in the near term, they create repeat business and provide the volume that underpins future profitability.

We remain confident that gross margins will improve as we continue to refine our cost structure, realize economies of scale, and deliver higher margin products. Liana will provide additional detail on the quarter-to-quarter margin dynamics in her remarks. We also delivered these record results while achieving our lowest operating loss since going public, approximately $7.1 million. This progress is the result of obsessive cost control and prioritizing expenditures that directly support revenue growth and/or product differentiation. We are keenly aware of the importance of liquidity and continue to manage working capital carefully. During Q1, management emphasized that the company has maintained seven consecutive quarters of positive non-GAAP gross margins.

We've continued that track record for an eighth quarter in Q2, demonstrating our focus on building a financially sustainable product portfolio. Before I wrap up on liquidity, I want to take a moment to express our deep appreciation to Aljamet Automotive Company and their principles. They have been a critical strategic supporter of Xos for many years. We believe they share our optimism in the long-term vision and future of Xos, our various product lines, and the commercial progress we've made over the last few years.

Aljamet and Xos have agreed to amend the repayment structure of the convertible note, allowing us to repay the principal in quarterly installments from November 2025 through February 2028, rather than being due all at once on 08/11/2025. This approach frees up capital to focus on sustainable growth and further strengthening liquidity as demand for our products and services continues to grow. The interest accrued on the convertible note through its original maturity date will be paid in shares of common stock, as it would have been had the term not been extended, making Aljamet our largest shareholder.

We still intend to pursue various strategies to obtain the required funding for future operations, which may include capital raising strategies, such as debt or equity financing. While our Step Van platform continues to represent a significant portion of revenue, our broader product strategy is designed to enhance margins and reduce customer concentration. Our powertrain systems and charging infrastructure products are higher margin offerings with limited alternatives in the market. In Q2, we are building upon this strategy with additional deliveries to Bluebird Corporation for electric school buses. Since the quarter ended, we've received orders for nearly 20 powertrain units from Bluebird, and we expect continued momentum as school districts rapidly pursue electrification in their fleets.

Beyond powertrains, the Xos hub addresses a critical bottleneck for fleet electrification and access to power. As noted on our last call, the hub is attracting interest not only from fleet customers but also from industries facing grid constraints. In Q2, we expanded deployments and demonstrations of the hub and are preparing a product update for 2026 that will offer greater power resilience, energy cost optimization, and load balancing. We believe these innovations unlock opportunities beyond electric fleet charging, for example, supporting industrial users who need temporary power or peak shaving capabilities.

This vision aligns with our long-term goal of having a diversified product portfolio with low customer concentrations, low market concentration, and our focus on secular industries less disrupted by political factors or the macroeconomic cycle. In summary, 2025 was a milestone quarter for Xos. We achieved record deliveries, positioned ourselves to diversify our revenue through higher margin products, and demonstrated that our cost discipline initiatives are working. As we look ahead, we will remain focused on managing growth responsibly, improving gross margins, and maintaining liquidity. We expect average order sizes to increase as customers experience the total cost of ownership benefits of our trucks and charging solutions.

Finally, our product development pipeline, including enhancements to our hub product and expansions into power resiliency solutions, positions Xos to capitalize on the broader backup power and energy management market. Gio will now take you through some of the operational highlights from the quarter.

Giordano Sordoni: Thanks, Dakota. Good afternoon, everyone. Q2 was a quarter of strong execution, customer delivery, and continued innovation for Xos. Our Tennessee plant ran efficiently and at high utilization, producing a substantial number of chassis for UPS, demonstrating our ability to deliver consistent quality at scale for one of the world's largest and most demanding fleets. This repeatable production cadence is a clear proof point of our operational maturity and ability to scale to meet customer demand. We also advanced our powertrain business, building more electrification kits for OEM customers such as Bluebird. OEMs are choosing Xos as a powertrain partner to take advantage of the many years and millions of miles of on-road use that the Xos powertrain has withstood.

We plan to continue deepening our partnerships with OEMs who trust Xos' technology to power their next generation of vehicles. Meanwhile, our engineering teams kept the momentum up on the demonstration and validation of the MDXT platform, the new medium-duty chassis cab. Designed to leverage the same proven components and production lines as our step van, the MDXT is on track to be one of the most capital-efficient product launches in Xos' history. On the supply chain front, we stayed ahead of potential headwinds by actively monitoring tariff developments, working closely with our suppliers, and executing targeted cost reduction initiatives. These efforts position us to scale with confidence while protecting margins.

We continue to monitor the ever-evolving tariff landscape to ensure a robust and cost-efficient supply chain. Overall, Q2 showed that we can grow, innovate, and deliver for our customers, all while running lean. As we enter the back half of the year, we are focused on capital-efficient production, expanding the reach of our hub product line with new features, and continuing the validation of the MDXT product. With that, I'll turn it over to Liana for the financial review.

Liana Pogosyan: Thanks, Gio. Second quarter revenue reached a record $18.4 million on 135 units, our highest quarterly revenue and delivery ever. That's up from $5.9 million on 29 units last quarter and $15.5 million on 90 units a year ago, reflecting strong execution of our delivery plan and major shipments to customers like UPS and FedEx ISP. For 2025, revenues totaled $24.3 million compared to $28.7 million in the same period last year. We delivered more units year over year, reflecting strong demand, so the shift in product mix driven largely by our strip chassis product resulted in a lower average selling price and a modest decline in total revenue.

Turning to margin, GAAP gross margin was 8.8% in the second quarter, compared to 20.6% in the first quarter and 13.1% in 2024. The sequential decline was mainly driven by changes in product mix, discussed earlier, and the impact of additional tariff costs. Non-GAAP gross margin was 1.4% in the second quarter, down from 15% in the first quarter, reflecting a favorable change in our inventory reserve driven by better inventory management processes and overall lower inventory balance. This quarter marks our eighth consecutive quarter of positive non-GAAP gross margin performance. For 2025, non-GAAP gross margin was 4.7% compared to 12.9% in the same period last year.

We remain confident in our ability to improve margins over time as we scale production and execute on cost reduction initiatives. On the expense side, operating expenses were $8.7 million in the second quarter, down $1.8 million or 17% from last quarter, and $4.7 million or 35% from 2024. The sequential decline reflects a $1.9 million finance lease expense recorded in the first quarter with no comparable expense this quarter. For 2025, operating expenses totaled $19.2 million, a $7.2 million or 27% improvement from $26.4 million in the same period last year. These reductions highlight the lasting benefits of last year's cost actions and our ongoing commitment to operational discipline.

Operating loss for the quarter was $7.1 million, our lowest since going public, improving from $9.3 million in the first quarter and $11.4 million in 2024. Non-GAAP operating loss also hit a record low at $6.9 million, compared to $8.1 million in the first quarter and $9.7 million in 2024. For 2025, operating loss totaled $16.4 million, down from $21.6 million in the same period last year, while non-GAAP operating loss improved to $14.9 million from $19.1 million in the same period last year. Now turning to the balance sheet, we ended the quarter with $8.8 million in cash and cash equivalents, up from $4.8 million at the end of last quarter.

Inventory declined to $31 million from $38 million last quarter, driven by strong unit sales outpacing production as we moved more units from existing inventory, reflecting our ongoing strategic inventory management to support upcoming deliveries. Accounts receivable decreased to $18.1 million from $22.2 million last quarter. We delivered strong accounts receivable collections of $22.8 million this quarter from customers and organizations administrating base grant programs. And while late quarter deliveries result in higher new receivables, these position us well for continued collections in the coming quarter. We are continuing to manage our liquidity position and actively exploring options for enhancing our liquidity.

We achieved positive free cash flow of $4.6 million this quarter, the highest in the company's history and the second time we reported positive free cash flow. This represents a significant improvement compared to negative $4.8 million in 2025 and negative $26.1 million in 2024, fueled by record deliveries and strong working capital management. Finally, turning to our guidance, we are reaffirming our full-year 2025 guidance for revenue and delivery. Revenue between $50.2 million and $65.8 million and unit deliveries between 320 and 420 units. We are revising our non-GAAP operating loss guidance to a range of $24.4 million to $26.9 million.

This update reflects changes in the expected product mix for the second half of the year as well as increased costs tied to new tariff structures on parts and commodities, the full impact of which was not known when we provided the original guidance. With that, I'll turn the call back over to Dakota.

Dakota Semler: I will now turn it over to the operator to open up for questions.

Operator: Thank you. We will now begin the question and answer session. To ask a question, you may press star then 1 on your touch-tone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your questions, please press star then 2. At this time, we will pause momentarily to assemble our roster. The first question comes from the line of Craig Irwin with Roth Capital Partners. Please go ahead.

Craig Irwin: Good evening, and congratulations on the strong progress this quarter. So, Dakota, there are so many things that I could start with, but I am kind of worried that we might lose the forest for the trees. You know, you are outperforming all of your competitors, big and small. If we look from Rivian to Workhorse, everybody else is floundering, having a difficult time with deliveries, having a difficult time with cost structure. You just put up a record quarter with positive gross margins, more than 130 units, and clearly doing things differently.

Can you maybe give us a little bit of color or frame out the approach that you are taking that is allowing you to give us divergent performance versus the rest of the industry?

Dakota Semler: Thank you for the question, Craig, and for the congrats. I think there are several factors that drive our ability to achieve kind of outsized performance. The first of which is our team. We have an incredible team, and I do not think we could do anything that we have delivered on without having an incredibly sound operations team able to manufacture and produce vehicles the way they do. Our supply chain team is able to respond rapidly to this incredibly, rapidly evolving environment where tariffs are continually disrupting our supply chain flows. Every aspect of the organization, our business development team, our legal and finance team, they have all been critical in helping us to achieve this goal.

So that is the first thing I would start with. And I think we are very, very fortunate to have a really seasoned team, but also a team that works incredibly hard to achieve these goals. The second factor is one that has been really ten years in the making or almost nine years in the making since we started the business, which is building up customer trust. And I think that is really starting to take hold with several large key customers.

We have demonstrated that the product over five, six, seven plus years with some of these customers, that the product is reliable, that the product in the field is durable, and ultimately, that it saves them on their total cost of ownership. And when they have multiple years of operating history and a track record that they can see in their own operations and not just what we tell them, that builds confidence in them and their ability to go order more trucks and expand their Xos fleet. So that is the second thing. I really believe we owe an incredible debt to our customers because they are the ones that keep us here.

They are the ones that continue to order vehicles, hub products, and powertrain products from us. And then the third thing is, I think, a skill set internally that has been cultivated as a part of our management team as well as a part of the corporate culture at Xos, which is that we are adaptive. The business has to change and has to respond. And this quarter and Q1 were probably one of the greatest examples of Xos being an adaptive organization. We responded to an unprecedented set of tariffs and supply chain changes that had the potential to dramatically disrupt our ability to build and sell profitable vehicles.

But working together, our supply chain team, our commercial team, our operations and manufacturing team, we were able to manage through that, work closely with our customers, and still deliver a profitable quarter with record unit volumes and record revenue. And I think that adaptability is very hard to cultivate in any organization, but particularly in an organization where you are building manufactured products where the supply chain is so complex and the time to build your trucks is several months. So those are kind of the three buckets that I would ascribe a lot of that to.

Craig Irwin: Understood. That makes a lot of sense, and it actually dovetails to my second question pretty well. So I remember in Anaheim, you explaining to me that the MDX is a truck that you introduced because you were listening to your customers. This is something that people want to purchase, that there is a need in the market. Can you maybe share an update with investors on the status of that vehicle? The customer feedback from your different showcase events across the country. You know, is there a potential order book or other metrics that you can share with us to help us understand sort of the trajectory here?

Dakota Semler: Yeah, absolutely. We do not provide specific backlog guidance for any of the products, but we continue to see a lot of customer interest coming from national fleets as well as from small regional fleets. And we discussed this a little bit in our last earnings call, but we actually continued following our last earnings call to take this truck around the country, demo it for customers, let them drive the vehicle, get them in the seat, because that is ultimately what sells the product.

And so we have racked up thousands of miles driving the truck itself, not actually towing it to customer sites so that they could see the real-world performance of this vehicle in their own operations and in their own environment. And, actually, as we speak today, the truck is on a trip coming back from Phoenix, Arizona. We had some work out for it to do out there. And so, it is going to be coming back to California. And we are going to continue. We have got demos scheduled for Southern California next week. So the commercial interest has not slowed down.

While we are not in production on that product yet, I think we have a good amount of lead time to build up a significant order backlog that will allow us to launch that vehicle into production and have a solid backlog to build for probably at least the first year as we bring that to production. There are several different use cases for that truck that, as you know, with the step van, it services mostly last-mile delivery, uniform rentals, food and beverage delivery. But when we deal with a conventional chassis cab truck, there are so many different alternative vocational uses that exist.

Just this week, we were quoting a new customer that is looking to put dump bodies on that vehicle. So a lot of different interest across the fleet sector. And we are seeing a lot of municipal interest in that product too, which is really important because that vehicle is actually already approved as a part of the California Department of General Services schedule and will likely be on some JPA or joint procurement authority schedules soon too.

So we have some immense opportunities with municipalities, but also a lot of large private national account fleets that have expressed strong interest in the product, several of which have already signed sales orders and will likely be taking delivery of some of our first customers off the line.

Craig Irwin: Excellent. Excellent. And, you know, last question, if I may. You mentioned tariffs a couple of times. If you want to be conservative here, I completely understand it. But there is a trend out there. A lot of companies are sharing the headwind in the quarter, an approximate impact on net income. I know you were better than 20% ahead of the consensus numbers out there. So you are doing a lot of things right, but can you maybe, you know, quantify for us how much of a headwind this was for Xos?

Dakota Semler: Yeah, it is highly product-specific and also highly customer-specific because that drives the average selling prices. But at the lowest end of our product range, the tariff impact can be about 5% of our ASPs. And at the highest end, it can go up to about 15% of our ASPs. And the reason that varies is we have different battery sizes, different components coming from different locations, and as you know, the landscape has changed all the way up through this month. We recently had a tariff change with some components that we source in India that took place earlier this month. And so we are constantly monitoring that situation and making sure that we can stay ahead of it.

We have been very fortunate in that, with our customers, we have shared the direct cost of all of these tariffs, and we have gone back to several of our customers and indicated that we have provided them with preferential pricing. And in order to continue to build our relationship together, we will share in some of the tariff exposure. So we are not just taking all of that cost and passing it on to the customers. We are sharing it with them, which we believe is the responsible and the fair thing to do.

And I think our customers have responded well to that and have also been willing to mitigate that exposure by bearing some of the burden and the cost of these tariffs.

Craig Irwin: Great. Well, congratulations on the progress here. I will go ahead and hop back in the queue.

Dakota Semler: Thanks, Craig.

Operator: Thank you. This concludes our question and answer session. I would like to turn the conference back over to Dakota Semler for closing remarks.

Dakota Semler: As we close out Q2, we are proud to share that this has been our largest quarter in company history. This milestone reflects not only the dedication and hard work of our team but also the trust and loyalty of our customers. To our customers, thank you for believing in us, challenging us to innovate, and partnering with us on this journey. Your commitment fuels our growth and inspires us to keep raising the bar. Looking ahead to 2025, we remain highly focused on delivering growth, improving liquidity, and expanding margins. Over the past year, we have proven our ability to operate as a lean, agile organization while maintaining a competitive and diverse product portfolio.

We have built a strong sales pipeline, navigated unpredictable global supply chain challenges, and adapted quickly to change, all while staying true to our mission. This adaptability and resilience are among our greatest strengths, and we believe our customers recognize and value these qualities in a dynamic marketplace. As momentum builds, we are confident that 2025 will be our biggest year yet, and we remain committed to becoming the most robust and trusted commercial electric vehicle manufacturer in the industry. With that, we will end the call here. You may disconnect.

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

Stocks Mentioned