



CORPORATE PARTICIPANTS

Stephen Burns
Chief Executive Officer

Julio Rodriguez
Chief Financial Officer

Duane Hughes
President & COO

Tony Furey
Vice President of Finance

QUARTERLY SUMMARY and HIGHLIGHTS

- Completed Delivery of UPS's 125-unit order (35 E-GEN units delivered)
- Q4/2016 vs. Q1/2017 revenue was down by \$1,260,163
- Q1/2016 vs. Q1/2017 revenue was up by \$1,542,307
- Preparation began for assembly of 218 units for Q2/Q3 2017 delivery
- Concept W-15 Pickup Truck unveiled on May 2, 2017
- 2,150 W-15 units under letter-of-intent received by 3/31/17 grown to 4,650 received by 5/1/17
- First DOE/FedEx Hydrogen Fuel Cell Chassis delivered to Plug Power
- Two Workhorse E-GEN vehicles placed on-route by a large parcel delivery company
- UPS conducted a successful real world test using our electric truck-based autonomous UAV delivery system
- Completed a \$22.4 million equity financing

MANAGEMENT DISCUSSION SECTION

Duane A. Hughes
President

Thank you {NAME} and good morning everyone. Thank you for joining our 1st quarter 2017 update call. We are excited to present you with an update on our business, specifically the recent, very successful unveiling of our W-15 pickup truck and as importantly, our strategic partnership with Ryder Systems. I'm Duane Hughes, President and COO of Workhorse Group. Joining me this afternoon to share more details are Steve Burns, our Chief Executive Officer.

Julio Rodriguez, our Chief Financial Officer, Tony Furey, our Vice President of Finance and I will be on the call to respond to questions.

As you may have seen, we have released our 10-Q and we will update you on our projects and progress as we continue. For those of you who have not seen our 10-Q report, it is available on our website at workhorse.com.

I want to call your attention to our Safe Harbor provision for forward-looking statements that is posted on our website and is part of our year end update. The Safe Harbor provision identifies risk factors that may cause actual results to differ materially from the content of our forward-looking statements. Our 2016, Form 10-K and other periodic filings on file with the SEC provide further detail about the risk factors



related to our business.

For today's call, Steve Burns will provide you an update on our key strategic priorities. He will then open it up to questions.

With that, I would now like to turn the call over to Steve.

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Stephen S. Burns

Chief Executive Officer & Director

Thank you Duane and good morning everyone. As Duane mentioned we are excited about discussing some of the details relating to our recent company announcements. As a brief reminder for any newcomers to our call today, Workhorse is a technology-focused manufacturer providing sustainable and cost-effective solutions for the commercial transportation sector. As an American, original equipment manufacturer, we design and build high performance battery-electric trucks. We develop cloud-based, real-time telematics performance monitoring systems and we manufacture ancillary equipment, such as small aviation drones which are fully integrated with our electric trucks.

All Workhorse vehicles make the movement of people and goods more efficient and less harmful to our environment.

As a manufacturer, we currently are focused on three primary items, first, growing the step van business that is currently serving UPS and others; second, completing the development and delivery of the USPS prototype units and third, furthering the development of our W-15 pickup truck.

I'll discuss these in reverse order since the latter has been in the national news recently.

You may already know, we had a highly successful unveiling of our W-15 pickup truck last week in Long Beach CA. As part of the unveiling we also announced, an important, strategic partnership with Ryder Systems, the country's largest full-service truck lessor, including their letter-of-intent to purchase an initial 2,500 W-15 electric pickup trucks. As you may know, Ryder has a national operating footprint and so this relationship will help us across all platforms of our business with emphasis on sales, leasing, supply chain management, and maintenance services.

We are pleased to report to you that prior to the unveiling of our W-15 pickup truck on May 2nd, we had secured letters-of-intent for the W-15 from a mixture of top corporate fleets representing the utility, municipality and automotive logistics sectors. So, together with the Ryder LOI, pre-orders represent about 5,000 units or about \$240 million at current suggested prices.

A key to receiving these LOI's, and I point out, these LOIs were received **prior to the unveiling of the W-15 last week**, is the proven performance of our medium-duty trucks amongst customers such as UPS and FedEx. Our proven capabilities to address the needs of the largest and most demanding delivery fleets in the world has given us the credibility across a wider array of fleets to secure these initial letters-of-intent.

The momentum generated by unveiling the drivable W-15 concept cannot be overstated. We are now in an even better position to expand our product lines and position our company for the goal of delivering value to our shareholders. This momentum comes from the well-received performance of the W-15 concept vehicle. We could not have been more pleased by the reception we received from our prospects, our customers and the media at the ACT Expo last week in CA. The outstanding reviews from the likes of *Car & Driver*, *MotorTrend*, and *USA Today* are very useful tools in helping us communicate our value to current and future customers for all products, not just the W-15 pickup truck.

Perhaps most importantly in the short-term, the success of the W-15 unveil gives us even more



opportunity to continue our driving down costs in the medium-duty segment. We have expanded our supplier pool attracting Tier-1 suppliers who have interests in the higher volume, light-duty segment. And remember, higher volume means lower unit costs. Our goal is to set a footprint in the higher volume, light-duty segment that will assist the smaller volume medium-duty segment and help produce the sort of gross margin we are currently projecting.

Our goal is to enter into initial production of our W-15 in late 2018. We have designed and engineered this vehicle such that it can be built in our existing facilities with our experienced labor and other vendor-supplied resources. During the development process, our engineers have also considered the opportunities to more readily add automation when and where necessary to accomplish much larger volumes of vehicle builds in the event demand exceeds our capacity.

We have a plan with existing facilities and scalable processes that will enable us to produce high quality vehicles. Our production engineers are busy adding new levels of automation, helping us further improve production methods and reduce costs.

We recognize truck manufacturing is traditionally a capital-intensive business that requires volume and scale. Our goal is to leverage our existing 250,000 sq. ft. assembly plant and our 40,000 sq. ft. battery production facility as we seek to move to production of our W-15 pickup with minimal capital expenditure. We are also designing our proposed USPS vehicle to be built utilizing these same two facilities. To this end, we continue to build and deliver high quality vehicles with proven performance.

Now turning to our strategic partnership with Ryder. We are very pleased to have announced this partnership. Our agreement with Ryder unlocks Ryder's North American network of more than 800 service locations, their network of more than 600 sales professionals, and their position as a leader in integrated logistics and supply chain solutions.

We can now address with even more confidence our ability to service and maintain vehicles sold in North America, we can enhance our supply chain opportunities and we can extend our reach and message to even more prospects enabling us to grow our customer base across fleets of all sizes.

We expect that our strategic agreement with Ryder will provide additional sales and revenue volumes, enhance our cost-down strategies and address warranty and service claims. Through this strategic partnership, Ryder and Workhorse will work together in promoting energy efficiency and innovation in the industry.

Moving on to the second important part of our business: the USPS opportunity. As you will recall, the USPS is replacing their 160,000-vehicle fleet with a new technology vehicle.

Delivery of our USPS prototype vehicles is due in September 2017, as one of five remaining contestants in the bid process. In addition to being, we believe, the only electric vehicle manufacturer in the running, we further believe the unveiling of our W-15 pickup truck adds credibility and confidence that we will deliver the best-in-class vehicle to the Post Office.

It is also important to point-out the design of all workhorse chassis share many elements and components, including electric motor controls, batteries and software. This gives us better economies-of-scale and improved production capabilities helping us leverage our supply chain and the manufacture of these medium- and light-duty vehicles at our same chassis assembly facilities in Indiana and our battery production facility in Ohio.

Finally, moving to our step van business: In the first quarter we completed the build and delivery of the remaining 35 units of UPS's third order for 125 medium-duty step vans. We also began production of our current order of 218 units, which includes UPS's current order for 200 step vans. This is the fourth sequential order UPS has placed with us. Over the coming months, we will complete the build of these units and deliver them to the customer's body-builder of choice on the customers requested timeframe. Our focus remains on securing additional orders from existing customers while working with our new



partner, Ryder, to close additional orders from their existing customer base.

We will also improve our cost-down strategy by leveraging the common parts and components from the much larger volume segment of light-duty vehicles. As we seek to enter the light-duty market, we have a unique opportunity to integrate the parts and components used in the light-duty vehicles into our medium-duty step vans enhancing our ability to reduce costs and achieve profitability in the medium-duty, step van market.

As an example, pick-up trucks account for more than 50 million vehicles--about 20% of all vehicles on the road in the United States today. In 2016, sales of pick-up trucks in the U.S. exceeded 2.5 million vehicles, with approximately 500,000 pickups sold for commercial-use applications. This is compared to roughly 20,000 step vans sold per year in the U.S.

Our ability to attract Tier-1 suppliers using the higher volumes from the development of the W-15 pickup will be used to improve supplier pricing. Our engineering efforts are focused on the repurposing the W-15 components into our step van platform, as well as recognizing additional cost-down opportunities our engineers have identified with more than 150 Workhorse vehicles on the road today.

As you can likely tell, we believe our medium-duty step van business is enhanced by our entry into the light-duty segment beginning with the W-15 pickup and the additional opportunities offered with varying body styles including traditional van bodies.

Finishing up with activities ancillary to our important step van business. We have gained much attention as of late with our HorseFly delivery drone. The HorseFly is a custom designed, purpose-built unmanned aerial vehicle that is fully integrated with our electric trucks. We have a patent pending on this truck-launched unmanned aerial delivery architecture and we believe we are the only company in the world with a working truck-based aerial delivery capability. The truck-launched HorseFly delivery system is designed to work within the FAA Rules.

In February 2017, UPS conducted a successful real world test using our truck-based HorseFly delivery system and it received worldwide news coverage. The knowledge we have gained in building electric delivery trucks for last-mile delivery has led us to believe that a truck-launched UAV delivery system can have significant cost savings in the parcel delivery ecosphere.

As stated in UPS' February press release, *a reduction of just one mile per driver per day over one year can save UPS up to \$50 million per year.* The release went on to add, rural delivery routes are the most expensive to serve due to the time and vehicle expenses required to complete each delivery. In this test, the autonomous HorseFly delivery vehicle made one delivery while the driver continued down the road to make another. This innovative delivery solution can have meaningful cost savings in the last mile delivery marketplace.

Let me now open the line to questions...

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