Will chargepoint stock recover

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Shares of ChargePoint (CHPT 4.27%) have declined since their peak in late 2020 and may now be reaching a value point if the operating results turn around. The $750 million market cap and 2023 revenue of $506.6 million puts the price-to-sales multiple at just 1.5 times, the lowest level since the company came public.

ChargePoint''s strategy has long been to grow its installed base of chargers and make high-margin subscription revenue that grows as electric vehicle (EV) adoption increases. But that strategy has turned out to be flawed.

The sale of EV chargers, or Networked Charging Systems, is ChargePoint''s primary source of revenue -- and that''s a problem because it''s a money-losing endeavor so far. In 2023, the company generated $360.8 million in revenue from chargers and spent $386.1 million to build them. On top of the losses, revenue was down 1%, so this hasn''t been a great business.

Subscription revenue was up 41.2% to $120.4 million, and the gross margin was a fairly impressive 39%. But that came nowhere near enough to cover $480.1 million in operating expenses, which is why the company had a $457.6 million loss for the year.

In the fourth-quarter 2023 earnings report, management was confident they could reach non-GAAP adjusted EBITDA breakeven by the end of 2024. This compares to a loss of $45.3 million in Q4 2023 and $272.7 million for the whole year.

Some trends will make that challenging. First, U.S. automakers are moving to the NACS charging standard, further commoditizing chargers. Second, EV sales growth is slowing, and 2024 may be a year when buyers and manufacturers pull back. That''s not a good environment for charger demand.

For ChargePoint to survive, it needs to start making money by selling chargers. The subscription business is nice, but chargers are the core business, and they have to be profitable to survive.

Operating expenses also need to be much lower to reach profitability. Right now, operating expenses are nearly equal to sales and should be more like 15% or 20% of sales for a hardware company.

The fundamental problem is the competitive nature of EV chargers. They''re effectively the same regardless of manufacturer, making it tough for ChargePoint to make much margin.

To make matters worse, the industry is coalescing around NACS, which means the charger will be the same for all manufacturers. How do you differentiate in that environment?

I think the future for ChargePoint is bleak given these competitive dynamics. The company has $327.4 million in cash, similar to the $328.9 million in operating cash burned in 2023. As the stock falls, offerings like the $287.2 million raised in 2023 will be harder to pull off.

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