UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

OR

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

For the transition period from ______________ to

Commission file number: 001-39417

Evolv Technologies Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**84-4473840**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

500 Totten Pond Road, 4th Floor
Waltham, Massachusetts 02451
(Address of Principal Executive Offices)

(781) 374-8100
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

Title of Each Class	Trading symbol	Name of Exchange on which registered
Class A common stock, par value $0.0001 per share	**EVLV**	**The Nasdaq Stock Market**
Warrants to purchase one share of Class A common stock	**EVLVW**	**The Nasdaq Stock Market**

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

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

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

Large accelerated filer	o	Accelerated filer	o		
Non-accelerated filer	x	Smaller reporting company	x	Emerging growth company	x

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

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

As of November 8, 2022, there were 144,623,576 shares of Class A common stock, par value $0.0001 per share, outstanding.

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FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "targets," "projects," "contemplates," "believes," "estimates," "forecasts," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements regarding our results of operations and financial position, business strategy, plans and prospects, existing and prospective products, research and development costs, timing and likelihood of success, macroeconomic and market trends, and plans and objectives of management for future operations and results.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, without limitation expectations regarding the Company's strategies and future financial performance, including its future business plans or objectives, market opportunities and competition, revenues, products and services, pricing, operating expenses, market trends, liquidity, cash flows and uses of cash, capital expenditures; the Company's history of losses and lack of profitability; the Company's reliance on third party contract manufacturing; the rate of innovation required to maintain competitiveness in the markets in which the Company competes; the competitiveness of the market in which the Company competes; the ability for the Company to obtain, maintain, protect and enforce the Company's intellectual property rights; the concentration of the Company's revenues on a single solution; the Company's ability to timely design, produce and launch its solutions, the Company's ability to invest in growth initiatives and pursue acquisition opportunities; the limited liquidity and trading of the Company's securities; the impact of and the Company's ability to remediate any identified material weakness in financial reporting; geopolitical risk and changes in applicable laws or regulations; the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; operational risk; risk that the COVID-19 pandemic, including variants, vaccine roll-out efforts, and local, state, and federal responses to addressing the pandemic may have an adverse effect on the Company's business operations, as well as the Company's financial condition and results of operations; the impact of fluctuating economic conditions; litigation and regulatory enforcement risks, including the diversion of management time and attention and the additional costs and demands on resources, and the important factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as updated by Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q, as any such factors may be updated from time to time in its other filings with the Securities and Exchange Commission (the "SEC"). The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, it may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

GENERAL

We may announce material business and financial information to our investors using our investor relations website at https://ir.evolvtechnology.com/. We therefore encourage investors and others interested in Evolv to review the information that we make available on our website, in addition to following our filings with the SEC, webcasts, press releases and conference calls. Information contained on our website is not part of this Quarterly Report on Form 10-Q.

EVOLV TECHNOLOGIES HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 218,499	$ 307,492
Restricted cash	400	400
Accounts receivable, net	21,199	6,477
Inventory	6,732	2,890
Current portion of contract assets	5,291	1,459
Current portion of commission asset	2,413	1,645
Prepaid expenses and other current assets	20,223	10,757
Total current assets	274,757	331,120
Restricted cash, noncurrent	275	275
Contract assets, noncurrent	1,524	3,418
Commission asset, noncurrent	4,607	3,719
Property and equipment, net	40,532	23,783
Operating lease right-of-use assets	1,882	—
Other assets	2,045	542
Total assets	$ 325,622	$ 362,857
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 11,139	$ 6,045
Accrued expenses and other current liabilities	8,884	9,551
Current portion of deferred revenue	15,852	6,599
Current portion of deferred rent	—	135
Current portion of long-term debt	4,000	2,000
Current portion of operating lease liabilities	1,106	—
Total current liabilities	40,981	24,330
Deferred revenue, noncurrent	9,234	2,475
Deferred rent, noncurrent	—	333
Long-term debt, noncurrent	4,959	7,945
Operating lease liabilities, noncurrent	1,147	—
Contingent earn-out liability	11,452	21,206
Contingently issuable common stock liability	2,735	5,264
Public warrant liability	6,733	11,030
Total liabilities	77,241	72,583
Commitments and contingencies (Note 20)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 100,000,000 authorized at September 30, 2022 and December 31, 2021; no shares issued and outstanding at September 30, 2022 and December 31, 2021	—	—
Common stock, $0.0001 par value; 1,100,000,000 shares authorized at September 30, 2022 and December 31, 2021; 144,434,717 and 142,745,021 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	14	14
Additional paid-in capital	412,238	396,064
Accumulated other comprehensive income	35	—
Accumulated deficit	(163,906)	(105,804)
Stockholders' equity	248,381	290,274
Total liabilities and stockholders' equity	$ 325,622	$ 362,857

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

EVOLV TECHNOLOGIES HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Product revenue	$ 9,839	$ 5,395	$ 19,179	$ 10,279
Subscription revenue	5,198	2,312	12,208	5,060
Service revenue	1,493	717	2,923	1,456
Total revenue	16,530	8,424	34,310	16,795
Cost of revenue:				
Cost of product revenue	12,960	2,967	23,513	7,386
Cost of subscription revenue	2,207	1,277	5,730	3,080
Cost of service revenue	1,138	713	3,392	1,685
Total cost of revenue	16,305	4,957	32,635	12,151
Gross profit	225	3,467	1,675	4,644
Operating expenses:				
Research and development	5,616	3,612	13,947	8,399
Sales and marketing	11,746	10,024	33,169	17,756
General and administrative	8,839	7,535	29,268	12,058
Loss from impairment of property and equipment	626	1,656	1,038	1,656
Total operating expenses	26,827	22,827	77,422	39,869
Loss from operations	(26,602)	(19,360)	(75,747)	(35,225)
Other income (expense), net:				
Interest expense	(188)	(295)	(489)	(5,952)
Interest income	1,052	—	1,611	—
Other expense, net	(57)	(669)	(57)	(669)
Loss on extinguishment of debt	—	(865)	—	(12,685)
Change in fair value of derivative liability	—	475	—	(1,745)
Change in fair value of contingent earn-out liability	7,245	32,609	9,754	32,609
Change in fair value of contingently issuable common stock liability	1,081	5,718	2,529	5,718
Change in fair value of public warrant liability	(1,146)	3,152	4,297	3,152
Change in fair value of common stock warrant liability	—	42	—	(879)
Total other income (expense), net	7,987	40,167	17,645	19,549
Net income (loss) attributable to common stockholders – basic	$ (18,615)	$ 20,807	$ (58,102)	$ (15,676)
Net income (loss) attributable to common stockholders – diluted	$ (18,615)	$ 21,278	$ (58,102)	$ (15,676)
Weighted average common shares outstanding				
Basic	144,117,273	119,745,196	143,522,555	47,772,253
Diluted	144,117,273	153,936,436	143,522,555	47,772,253
Net income (loss) per share				
Basic	$ (0.13)	$ 0.17	$ (0.40)	$ (0.33)
Diluted	$ (0.13)	$ 0.14	$ (0.40)	$ (0.33)
Net income (loss)	$ (18,615)	$ 20,807	$ (58,102)	$ (15,676)
Cumulative translation adjustment	45	—	35	—
Total other comprehensive income	45	—	35	—
Total comprehensive income (loss)	$ (18,570)	$ 20,807	$ (58,067)	$ (15,676)

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

EVOLV TECHNOLOGIES HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share amounts)
(Unaudited)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares (1)	Amount	Shares (1)	Amount				
Balances at December 31, 2021	—	$ —	142,745,021	$ 14	$ 396,064	$ —	$ (105,804)	$ 290,274
Issuance of common stock upon net exercise of stock options	—	—	496,971	—	226	—	—	226
Issuance of common stock upon vesting of restricted stock units	—	—	80,044	—	—	—	—	—
Stock-based compensation cost	—	—	—	—	3,953	—	—	3,953
Net loss	—	—	—	—	—	—	(13,801)	(13,801)
Balances at March 31, 2022	—	—	143,322,036	14	400,243	—	(119,605)	280,652
Issuance of common stock upon net exercise of stock options	—	—	350,092	—	157	—	—	157
Issuance of common stock upon vesting of restricted stock units	—	—	157,867	—	—	—	—	—
Stock-based compensation cost	—	—	—	—	5,093	—	—	5,093
Cumulative translation adjustment	—	—	—	—	—	(10)	—	(10)
Net loss	—	—	—	—	—	—	(25,686)	(25,686)
Balances at June 30, 2022	—	—	143,829,995	14	405,493	(10)	(145,291)	260,206
Issuance of common stock upon net exercise of stock options	—	—	428,155	—	188	—	—	188
Issuance of common stock upon vesting of restricted stock units	—	—	176,567	—	—	—	—	—
Stock-based compensation cost	—	—	—	—	6,557	—	—	6,557
Cumulative translation adjustment	—	—	—	—	—	45	—	45
Net loss	—	—	—	—	—	—	(18,615)	(18,615)
Balances at September 30, 2022	—	$ —	144,434,717	$ 14	$ 412,238	$ 35	$ (163,906)	$ 248,381
Balances at December 31, 2020	77,340,057	$ 75,877	9,846,830	$ 1	$ 10,110	—	$ (94,916)	$ (84,805)
Issuance of warrant to purchase common stock	—	—	—	—	1	—	—	1
Issuance of common stock upon exercise of stock options	—	—	1,563,281	—	455	—	—	455
Stock-based compensation cost	—	—	—	—	321	—	—	321
Net loss	—	—	—	—	—	—	(13,506)	(13,506)
Balances at March 31, 2021	77,340,057	75,877	11,410,111	1	10,887	—	(108,422)	(97,534)
Issuance of warrant to purchase common stock	—	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	1,993,081	—	202	—	—	202
Repurchase of common stock upon settlement of related party note	—	—	(43,665)	—	—	—	—	—
Stock-based compensation cost	—	—	—	—	1,083	—	—	1,083
Net loss	—	—	—	—	—	—	(22,977)	(22,977)
Balances at June 30, 2021	77,340,057	75,877	13,359,527	1	12,172	—	(131,399)	(119,226)
Conversion of convertible preferred stock into common stock in connection with the closing of the Merger	(77,340,057)	(75,877)	80,833,007	8	75,869	—	—	75,877
Issuance of common stock in connection with the closing of the Merger	—	—	10,391,513	1	84,944	—	—	84,945
Issuance of common stock in connection with the consummation of the PIPE Investment	—	—	30,000,000	3	299,997	—	—	300,000
Issuance of common stock for net settlement of common stock and preferred stock warrants upon settlement of the Merger	—	—	2,029,712	—	880	—	—	880

Issuance of common stock for the conversion of convertible notes	—	—	5,408,672	1	53,644	—	—	53,645
Issuance of public warrant in connection with the closing of the Merger	—	—	—		(23,636)	—	—	(23,636)
Payment of deferred offering costs in connection with the closing of the Merger and PIPE Investment	—	—	—	—	(35,738)	—	—	(35,738)
Initial fair value of contingent earn-out liability recognized upon the closing of the Merger	—	—	—	—	(67,021)	—	—	(67,021)
Initial fair value of contingently issuable common stock liability recognized upon the closing of the Merger	—	—	—	—	(11,670)	—	—	(11,670)
Issuance of common stock upon exercise of stock options	—	—	311,722	—	120	—	—	120
Issuance of common stock upon vesting of restricted stock units	—	—	1,837	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	3,124	—	—	3,124
Net income	—	—	—	—	—	—	20,807	20,807
Balances at September 30, 2021	—	$ —	142,335,990	$ 14	$ 392,685	$ —	$ (110,592)	$ 282,107

(1) The shares of the Company's convertible preferred stock and common stock, prior to the Merger (as defined in Note 3) have been retrospectively restated to reflect the exchange ratio of 0.378 established in the Merger as described in Note 3.

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

EVOLV TECHNOLOGIES HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities:		
Net loss	$ (58,102)	$ (15,676)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,782	1,948
Write-off of inventory	559	400
Adjustment to property and equipment for sales type leases	(625)	—
Loss from impairment of property and equipment	1,038	1,656
Loss on disposal of property and equipment	—	659
Stock-based compensation	15,513	6,032
Non-cash interest expense	14	5,561
Non-cash lease expense	602	—
Provision recorded for allowance for doubtful accounts	100	(63)
Loss on extinguishment of debt	—	12,685
Change in fair value of derivative liability	—	1,745
Change in fair value of common stock warrant liability	—	879
Change in fair value of earn-out liability	(9,754)	(32,609)
Change in fair value of contingently issuable common stock	(2,529)	(5,718)
Change in fair value of public warrant liability	(4,297)	(3,152)
Changes in operating assets and liabilities		
Accounts receivable	(14,822)	(5,866)
Inventory	(4,401)	(736)
Commission assets	(1,656)	(1,102)
Contract assets	(1,938)	(3,477)
Other assets	(629)	23
Prepaid expenses and other current assets	(9,009)	(11,535)
Accounts payable	2,177	240
Deferred revenue	16,005	2,352
Deferred rent	—	397
Warranty Reserve	—	(42)
Accrued expenses and other current liabilities	(750)	2,834
Operating lease liability	(699)	—
Net cash used in operating activities	(69,421)	(42,565)
Cash flows from investing activities:		
Development of internal-use software	(1,936)	—
Purchases of property and equipment	(17,554)	(10,994)
Proceeds from sale of property and equipment	312	—
Net cash used in investing activities	(19,178)	(10,994)
Cash flows from financing activities:		
Proceeds from exercise of stock options	571	777
Proceeds from issuance of common stock from the PIPE Investment	—	300,000
Proceeds from the closing of the Merger	—	84,945
Payment of offering costs from the closing of the Merger and PIPE Investment	—	(33,968)
Repayment of financing obligations	—	(359)
Proceeds from long-term debt, net of issuance costs	—	31,882
Repayment of principal on long-term debt	(1,000)	—
Net cash provided by (used in) financing activities	(429)	383,277
Effect of exchange rate changes on cash and cash equivalents	35	—
Net increase (decrease) in cash, cash equivalents and restricted cash	(88,993)	329,718
Cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash at beginning of period	308,167	4,704
Cash, cash equivalents and restricted cash at end of period	$ 219,174	$ 334,422
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 478	$ 427
Supplemental disclosure of non-cash activities		

Capital expenditures incurred but not yet paid	$	5,935	$	3,123
Capitalization of stock compensation		90		40
Deferred offering costs included in accounts payable		—		1,770
Conversion of convertible preferred stock to common stock		—		75,877
Initial fair value of contingent earn-out liability recognized in connection with the closing of the Merger		—		67,021
Initial fair value of contingently issuable common stock liability recognized in connection with the closing of the Merger		—		11,670
Conversion of common stock warrants to common stock in connection with the closing of the Merger		—		880
Initial fair value of public warrants in connection with the closing of the Merger		—		23,636
Reconciliation of cash, cash equivalents and restricted cash:				
Cash and cash equivalents	$	218,499	$	333,747
Restricted cash		400		400
Restricted cash, noncurrent		275		275
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$	219,174	$	334,422

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

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of the Business and Basis of Presentation

Evolv Technologies Holdings, Inc. (the “Company”), a Delaware corporation, is a global leader in AI-based weapons detection for security screening. The Company’s mission is to make the world a safer and more enjoyable place to work, learn, and play. The Company is democratizing security by making it seamless for gathering spaces to address the chronic epidemic of escalating gun violence, mass shootings and terrorist attacks in a cost-effective manner while improving the visitor experience. The Company is headquartered in Waltham, Massachusetts.

As used in this Quarterly Report on Form 10-Q, unless otherwise indicated or the context otherwise requires, references to “we,” “us,” “our,” the “Company” and “Evolv” refer to the consolidated operations of Evolv Technologies Holdings, Inc. and its wholly owned subsidiaries, which include Evolv Technologies, Inc., Evolv Technologies UK Ltd. and Give Evolv LLC. References to “NHIC” refer to the company prior to the consummation of the Merger (as defined in Note 3) and references to “Legacy Evolv” refer to Evolv Technologies, Inc. dba Evolv Technology, Inc. prior to the consummation of the Merger.

Basis of presentation

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”).

All share and per share amounts contained herein for periods prior to the Merger have been retroactively adjusted to give effect to the Exchange Ratio (as defined in Note 3), unless otherwise indicated.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements as of September 30, 2022, and for the three and nine months ended September 30, 2022 and 2021 have been prepared on the same basis as the audited annual consolidated financial statements as of December 31, 2021 and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the Company’s financial position as of September 30, 2022 and the results of its operations for the three and nine months ended September 30, 2022 and 2021 and cash flows for the nine months ended September 30, 2022 and 2021. The results for the three and nine months ended September 30, 2022 are not necessarily indicative of results to be expected for the year ending December 31, 2022, any other interim periods, or any future year or period.

Revision of Prior Period Financial Statements

In preparing the condensed consolidated financial statements as of and for the three and six months ended June 30, 2022, the Company identified errors in its previously issued financial statements whereby (a) certain expenses that were cost of subscription revenue related and cost of service revenue related were inaccurately classified as sales and marketing expenses on the consolidated statements of operations and comprehensive loss, (b) certain equipment under lease or held for lease was inaccurately classified as inventory on the consolidated balance sheets and a portion of the cash outflows related to the equipment under lease or held for lease were misclassified between operating and investing cash flows on the consolidated statements of cash flows, and (c) the vesting of warrants related to the Business Development Agreement disclosed in Note 16 were not accounted for accurately. The identified errors impacted the Company's previously issued 2020 annual financial statements, 2021 quarterly and annual financial statements, and quarterly financial statements for the three months ended March 31, 2022. The Company has made adjustments to the prior period amounts presented in these financial statements accordingly. Additionally, the Company has made adjustments to correct for other previously identified immaterial errors. The Company evaluated the errors and determined that the related impacts were not material to any previously issued annual or interim financial statements. A summary of the revisions to the previously reported financial information is included in Note 21.

2. Summary of Significant Accounting Policies

Significant Accounting Policies

The significant accounting policies and estimates used in preparation of the unaudited condensed consolidated financial statements are described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2021, and the notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no material changes to the Company's significant accounting policies during the three months ended September 30, 2022 outside of the items as described below.

Leases as a Lessee

Prior to January 1, 2022, the Company accounted for leases in accordance with ASC 840, *Leases*. At lease inception, the Company determined if an arrangement was an operating or capital lease. For operating leases, the Company recognized rent expense, inclusive of rent escalation, on a straight-line basis over the lease term.

Effective on January 1, 2022, the Company accounts for leases in accordance with ASC 842, *Leases*. At contract inception, the Company determines if an arrangement is or contains a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If determined to be or contain a lease, the lease is assessed for classification as either an operating or finance lease at the lease commencement date, defined as the date on which the leased asset is made available for use by the Company (when the Company is the lessee). Where the Company is the lessee, for each lease with a term greater than twelve months, the Company records a right-of-use asset and lease liability.

A right-of-use asset represents the economic benefit conveyed to the Company by the right to use the underlying asset over the lease term. A lease liability represents the obligation to make lease payments arising from the use of the asset over the lease term. Lease liabilities are measured at lease commencement and calculated as the present value of the future lease payments in the contract using the rate implicit in the contract, when available. If an implicit rate is not readily determinable, the Company uses an incremental borrowing rate measured as the rate at which the Company could borrow, on a fully collateralized basis, a commensurate loan in the same currency over a period consistent with the lease term at the commencement date. Right-of-use assets are measured as the amount of the initial lease liability plus initial direct costs and prepaid lease payments, less lease incentives granted by the lessor. The lease term is measured as the noncancelable period in the contract, adjusted for any options to extend or terminate when it is reasonably certain the Company will extend the lease term via such options based on an assessment of economic factors present as of the lease commencement date. The Company elected the practical expedient to not recognize leases with a lease term of twelve months or less.

Components of a lease are split into three categories: lease components, non-lease components, and non-components. The fixed and in-substance fixed contract consideration (including any consideration related to non-components) are allocated, based on the respective relative fair values, to the lease components and non-lease components. The Company has elected the practical expedient to account for lease and non-lease components together as a single lease component for all underlying assets and allocate all of the contract consideration to the lease component only.

The Company's operating leases are presented in the condensed consolidated balance sheet as operating lease right-of-use assets, classified as noncurrent assets, and operating lease liabilities, classified as current and noncurrent liabilities. Operating lease expense is recognized on a straight-line basis over the lease term. Variable costs associated with a lease, such as maintenance and utilities, are not included in the measurement of the lease liabilities and right-of-use assets but rather are expensed when the events determining the amount of variable consideration to be paid have occurred.

Subscription Revenue - Leases as Lessor

In addition to selling our products directly to customers, we also derive revenue from leasing our equipment, which we classify as subscription revenue. Lease terms are typically four years, generally do not include unilateral options by either the Company or our customer to extend, terminate or to purchase the underlying asset, and customers generally pay either a quarterly or annual fixed payment for the lease and maintenance elements over the contractual lease term. Equipment leases are generally classified as operating leases as they do not meet any of the sales-type lease criteria per ASC 842 and recognized ratably over the duration of the lease. There are no variable lease payments as a part of these arrangements.

The accounting provisions we use to classify transactions as sales-type are: (i) whether the lease transfers ownership of the equipment by the end of the lease term, (ii) whether the lease grants the customer an option to purchase the equipment and the customer is reasonably certain to do so, (iii) whether the lease term is for the major part of the economic life of the underlying equipment, (iv) whether the present value of the lease payments, and any residual value guaranteed by the customer that is not already reflected in the lease payments, is equal to or greater than substantially all of the fair market value of the equipment at the commencement of the lease, and (v) whether the equipment is specific to the customer and of such a specialized nature that it is expected to have no alternative use to the Company at the end of the lease term. Leasing arrangements meeting any of these conditions are accounted for as sales-type leases and revenue attributable to the lease component is recognized in a manner consistent with product revenue and the related equipment is derecognized with the associated expense presented as a cost of revenue. Leasing arrangements that do not meet the criteria for classification as a sales-type lease will be accounted for as a direct-financing lease if the following two conditions are met: (i) the present value of the lease payments, and any residual value guaranteed by the customer that is not already reflected in the lease payments and any other third party unrelated to the Company, is equal to or greater than substantially all of the fair market value of the equipment at the commencement of the lease, and (ii) it is probable that the Company will collect the lease payments and amounts necessary to satisfy a residual value guarantee. Leasing arrangements that do not meet any of the sales-type lease or direct-financing lease classification criteria are accounted for as operating leases and revenue is recognized straight-line over the term of the lease.

The Company considers the economic life of most of our products to be seven years. The Company believes seven years is representative of the period during which the equipment is expected to be economically usable by one or more users, with normal service, for the purpose for which it is intended. The unguaranteed residual value is estimated to be the value at the end of the lease term based on the anticipated fair market value of the units. The Company mitigates residual value risk of our leased equipment by performing regular management and maintenance, as necessary.

Generally, lease arrangements include both lease and non-lease components. The lease component relates to the customer’s right-to-use the equipment over the lease term. The non-lease components relate to (1) distinct services, such as SaaS and maintenance, (2) any add-on accessories, and (3) installation and training. Installation and training are included in service revenue as described below, and add-on accessories are included in product revenue. Because the equipment, SaaS, and maintenance components of a subscription arrangement are recognized as revenue over the same time period and in the same pattern, the Company elected the practical expedient to aggregate non-lease components with the associated lease component and account for the combined component as an operating lease for all underlying asset classes. In the evaluation of whether the lease component (equipment) or the non-lease components associated with the lease component (SaaS and maintenance) is the predominant component, the Company determined that the lease component is predominant as we believe the customer would ascribe more value to the use of the security equipment than that of the SaaS and maintenance services. Therefore, the Company will account for the combined lease component under ASC 842. The equipment lease and SaaS/maintenance performance obligations are classified as a single category of subscription revenue in the condensed consolidated statements of operations and comprehensive loss. The installation and training services represent distinct services provided to customers. These activities are considered separate performance obligations to the customer and therefore are considered non-lease components. As installation and training services are performed prior to lease commencement, the timing and pattern of transfer for these services differ from that of the lease component (i.e., security hardware) and are not eligible to be combined.

We exclude from variable payments all lessor costs that are explicitly required to be paid directly by a lessee on behalf of the lessor to a third party. Revenue related to leases entered into with related parties were $0.2 million and $0.4 million during the three and nine months ended September 30, 2022, respectively.

Installation and training are generally billed to the lessee as part of the lease contract billing, according to various contractual terms. The installation and training costs incurred by the Company are accounted for as a fulfillment cost and are included in the cost of services revenue in the condensed consolidated statements of operations and comprehensive loss.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"), as subsequently amended (collectively "ASC 842"). The guidance amends the existing accounting standards for lease accounting, including requirements for lessees to recognize assets and liabilities related to long-term leases on the balance sheet and expanding disclosure requirements regarding leasing arrangements. For lessees, leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. Lessors are required to classify leases as a sales-type, direct financing, or operating lease. A lease is a sales-type lease if it effectively transfers control of the underlying asset to the lessee as indicated by any one of five criteria being met. All leases that are not sales-type or direct financing leases will be classified as operating leases. In July 2018, the FASB issued additional guidance, which offers a transition option to entities adopting ASC 842 in which entities can elect to apply the new guidance using a modified retrospective approach at the beginning of the year in which the new lease standard is adopted. The Company utilized this transition option whereby financial information for prior periods presented before the ASC 842 effective date will not be updated. In November 2019, the FASB issued ASU 2019-10 deferring the effective date for private entities (also applicable for public companies that qualify as emerging growth companies) for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. In June 2020, the FASB issued ASU 2020-05 which further defers the effective date for private entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

The Company adopted this guidance effective January 1, 2022. ASC 842 provides several optional practical expedients in transition. The Company applied the 'package of practical expedients' which allow the Company to not reassess whether existing or expired arrangements contain a lease, the lease classification of existing or expired leases, or whether previous initial direct costs would qualify for capitalization under ASC 842.

The adoption of ASC 842 resulted in the recognition of operating lease liabilities of $3.0 million and operating right-of-use assets of $2.5 million, along with the write-off of certain deferred rent balances of $0.5 million within the Company's condensed consolidated balance sheets as of January 1, 2022. The adoption did not have a significant impact on the Company's condensed consolidated statements of operations and comprehensive loss and condensed consolidated statements of cash flows.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes* (ASC 740): *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which is intended to simplify various areas related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in ASC 740 and also clarifies and amends existing guidance to improve consistent application. For public entities the guidance is effective for annual reporting periods beginning after December 15, 2020 and for interim periods within those fiscal years. For non-public entities, the guidance is effective for annual reporting periods beginning after December 15, 2021 and for interim periods within years beginning after December 15, 2022, with early adoption permitted. The Company adopted this guidance effective January 1, 2022 and the adoption of this guidance did not have a material impact on its condensed consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies and clarifies certain calculation and presentation matters related to convertible and equity and debt instruments. Specifically, ASU 2020-06 removes requirements to separately account for conversion features as a derivative under ASC Topic 815 and removing the requirement to account for beneficial conversion features on such instruments. ASU 2020-06 also provides clearer guidance surrounding disclosure of such instruments and provides specific guidance for how such instruments are to be incorporated in the calculation of Diluted EPS. The guidance under ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company adopted this guidance effective January 1, 2022 and the adoption of this guidance did not have a material impact on its condensed consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements

The Company qualifies as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 and has elected not to "opt out" to the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company will adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and will do so until such time that the Company either (1) irrevocably elects to "opt out" of such extended transition period or (2) no longer qualifies as an emerging growth company. The Company may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for nonpublic companies.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses* (Topic 326) ("ASU 2016-13"). The new standard adjusts the accounting for assets held at amortized cost basis, including marketable securities accounted for as available for sale, and trade receivables. The standard eliminates the probable initial recognition threshold and requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For public entities except smaller reporting companies, the guidance is effective for annual reporting periods beginning after December 15, 2019 and for interim periods within those fiscal years. In November 2019, the FASB issued ASU No. 2019-10, which deferred the effective date for non-public entities and smaller reporting companies to annual reporting periods beginning after December 15, 2022, including interim periods within those fiscal years. Early application is allowed. The Company expects to adopt this guidance effective January 1, 2023, and does not expect that adoption of the guidance will have a material impact on its condensed consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which amends ASC 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The amendments in ASU 2021-08 are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years and should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption of the amendments is permitted, including adoption in an interim period. The Company expects to adopt this guidance effective January 1, 2023, and does not expect that adoption of the guidance will have a material impact on its condensed consolidated financial statements.

3. Merger with NHIC and Related Transactions

On July 16, 2021, we consummated the business combination (the "Merger"), contemplated by the Agreement and Plan of Merger, dated March 5, 2021, with NHIC Sub Inc. ("Merger Sub"), a wholly-owned subsidiary of NewHold Investment Corp. ("NHIC"), a special purpose acquisition company, which is our legal predecessor, and Evolv Technologies, Inc. dba Evolv Technology, Inc. ("Legacy Evolv"), as amended by that certain First Amendment to Agreement and Plan of Merger dated June 5, 2021 by and among NHIC, Merger Sub and Legacy Evolv (the "Amendment" and as amended, the "Merger Agreement"). Pursuant to the Merger Agreement, Merger Sub was merged with and into Legacy Evolv, with Legacy Evolv surviving the Merger as a wholly owned subsidiary of NHIC. Upon the closing of the Merger, NHIC changed its name to Evolv Technologies Holdings, Inc. Evolv Technologies Holdings, Inc. became the successor entity to NHIC pursuant to Rule 12g-3(a) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The transaction was accounted for as a "reverse recapitalization" in accordance with GAAP. Under this method of accounting, NHIC was treated as the "acquired" company for financial reporting purposes. This determination was primarily because subsequent to the Merger, Legacy Evolv's shareholders have a majority of the voting power of the combined company, Legacy Evolv comprises all of the ongoing operations of the combined entity, Legacy Evolv comprises a majority of the governing body of the combined company, and Legacy Evolv's senior management comprises all of the senior management of the combined company. Accordingly, for accounting purposes, this transaction was treated as the equivalent of Legacy Evolv issuing shares for the net assets of NHIC, accompanied by a recapitalization. The shares and net loss per common share, prior to the Merger, have been retroactively restated as shares reflecting the Exchange Ratio established in the Merger. The net assets of NHIC were recorded at historical costs, with no goodwill or other intangible assets recorded. Operations prior to the Reverse Recapitalization are those of Legacy Evolv.

Evolv had previously indicated that it would list units (consisting of one share of common stock and one-half of one warrant) on Nasdaq under the ticker symbol EVLVU, in continuation of the listing of the units NHIC sold in its initial public offering on August 4, 2020 under the ticker symbol NHICU. In September 2021, our transfer agent separated the units into the component shares and warrants at the closing of the Merger, and as a result the Evolv units were not made eligible to settle through the facilities of The Depositary Trust Company. Accordingly, all trades in the units from July 19, 2021 (the first trading day after the completion of the Merger) until August 24, 2021 were settled between brokers in the shares and warrants underlying the units. Trading in ticker symbol EVLVU was halted on August 24, 2021, and no trades in the units were permitted or occurred since that date. The units were delisted from Nasdaq effective September 10, 2021.

Upon closing of the Merger each share of NHIC Class B common stock issued and outstanding immediately prior to the effective time of the Merger, which totaled 10,391,513 shares held by the NHIC Initial Shareholders (“Initial Shareholders”), was automatically converted into one validly-issued share of our Class A common stock.

In addition, pursuant to the Merger Agreement, certain Legacy Evolv Shareholders became entitled to receive up to 15,000,000 shares of Class A common stock as earn-out shares.

Upon closing of the Merger:

- all of 24,359,107 shares of Legacy Evolv’s Series A-1 convertible preferred stock were converted into an equivalent number of shares of Legacy Evolv common stock on a one-to-one basis;
- all of 3,484,240 shares of Legacy Evolv’s Series A convertible preferred stock were converted into an equivalent number of shares of Legacy Evolv common stock on a two-to-one basis;
- all of 34,129,398 shares of Legacy Evolv’s Series B-1 convertible preferred stock were converted into an equivalent number of shares of Legacy Evolv common stock on a one-to-one basis; and
- all of 15,367,312 shares of Legacy Evolv’s Series B convertible preferred stock were converted into an equivalent number of shares of Legacy Evolv common stock on a one-to-one basis

On the closing date of the Merger, each share of Legacy Evolv common stock then issued and outstanding was cancelled and the holders thereof in exchange received 94,192,534 shares of the Company’s Class A common stock, which is equal to 0.378 newly-issued shares of the Company’s Class A common stock for each share of Legacy Evolv common stock (the “Exchange Ratio”).

All outstanding warrants exercisable for common stock in Legacy Evolv (other than warrants that expired, were exercised or were deemed automatically net exercised immediately prior to the Merger) were exchanged for warrants exercisable for the Company’s Class A common stock with the same terms and conditions except adjusted by the Exchange Ratio.

All outstanding stock options of Legacy Evolv common stock, totaling 57,938,375 stock options, were cancelled and the holders thereof in exchange received options to receive 0.378 shares of the Company’s Class A common stock for a total of 21,891,254 stock options. The modification of the stock options to reflect the exchange ratio did not result in an incremental compensation expense upon closing of the Merger.

Prior to the completion of the Merger, the Company entered into subscription agreements (collectively, the “PIPE Investment”) with certain parties subscribing for shares of the Company’s common stock (the “Subscribers”) pursuant to

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which the Subscribers agreed to purchase. Pursuant to the PIPE Investment, the Company issued 30,000,000 shares of common stock for a purchase price of $10.00 per share with gross proceeds of $300.0 million.

The proceeds, net of redemptions, received from the Merger were $84.9 million and gross proceeds received from the PIPE investment were $300.0 million. Based on the number of shares of common stock outstanding on July 16, 2021 (in each case, not giving effect to any shares issuable upon exercise of warrants, options, or earn-out shares), Legacy Evolv shareholders owned approximately 92.7% of the common stock of the Company and NHIC shareholders owned approximately 7.3%.

4. Fair Value Measurements

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicate the level of the fair value hierarchy used to determine such fair values (in thousands):

	Fair Value Measurements at September 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 198,610	$ —	$ —	$ 198,610
	$ 198,610	$ —	$ —	$ 198,610
Liabilities:				
Contingent earn-out liability	$ —	$ —	$ 11,452	$ 11,452
Contingently issuable common stock liability	—	—	2,735	2,735
Public Warrant liability	6,733	—	—	6,733
	$ 6,733	$ —	$ 14,187	$ 20,920

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 297,536	$ —	$ —	$ 297,536
	$ 297,536	$ —	$ —	$ 297,536
Liabilities:				
Contingent earn-out liability	$ —	$ —	21,206	$ 21,206
Contingently issuable common stock liability	—	—	5,264	5,264
Public Warrant liability	11,030	—	—	11,030
	$ 11,030	$ —	$ 26,470	$ 37,500

As of September 30, 2022 and December 31, 2021, money market funds are included in cash and cash equivalents on the condensed consolidated balance sheets.

The fair value classification of the public warrant liability as of December 31, 2021 and September 30, 2022 has been updated to Level 1. During each of the three and nine months ended September 30, 2022 and 2021, there were no transfers between Level 1, Level 2 and Level 3.

Valuation of Contingent Earn-out

Pursuant to the Merger Agreement, the Legacy Evolv shareholders, immediately prior to the Merger, were entitled to receive additional shares of the Company's common stock upon the Company achieving certain milestones as described in Note 2 of our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31,

2021. The Company's contingent earn-out shares were recorded at fair value as contingent earn-out liability upon the closing of the Merger and are remeasured each reporting period. As of September 30, 2022, no milestones have been achieved.

The fair value of the contingent earn-out is calculated using a Monte Carlo analysis in order to simulate the future path of the Company's stock price over the earn-out period. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the liability's estimated value. The significant assumptions used in the Monte Carlo model as of September 30, 2022 were as follows: 90% expected stock price volatility, a risk-free rate of return of 4.2%, a 25% likelihood of change in control and a remaining term of 3.4 years.

The following table provides a rollforward of the contingent earn-out liability (in thousands):

December 31, 2021	$	21,206
Change in fair value		(9,754)
September 30, 2022	$	11,452

Valuation of Contingently Issuable Common Stock

Prior to the Merger, certain NHIC shareholders owned 4,312,500 Founder Shares. 1,897,500 shares vested at the closing of the Merger, 517,500 shares were transferred back to NHIC and then contributed to Give Evolv LLC, and the remaining 1,897,500 outstanding shares shall vest upon the Company achieving certain milestones as described in Note 2 of our consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2021. The Company's contingently issuable common stock was recorded at fair value as contingent shares on the closing of the Merger and are remeasured each reporting period. As of September 30, 2022, no milestones have been achieved.

The fair value of the contingently issued common shares is determined using a Monte Carlo analysis in order to simulate the future path of the Company's stock price over the vesting period. The carrying amount of the liability may fluctuate significantly and actual amounts paid may be materially different from the liability's estimated value. The significant assumptions used in the Monte Carlo model as of September 30, 2022 were as follows: 90% expected stock price volatility, a risk-free rate of return of 4.2%, a 25% likelihood of change in control and a remaining term of 3.8 years.

The following table provides a rollforward of the contingently issuable common shares (in thousands):

December 31, 2021	$	5,264
Change in fair value		(2,529)
September 30, 2022	$	2,735

Valuation of Public Warrant Liability

Upon the closing of the Merger, the Company assumed the Public Warrants to purchase shares of the Company's common stock (see Note 13). The Public Warrants are publicly traded and the fair value is remeasured each reporting period based on the closing price as reported by Nasdaq on the last date of the reporting period.

The following table provides a rollforward of the public warrant liability (in thousands):

December 31, 2021	$	11,030
Change in fair value		(4,297)
September 30, 2022	$	6,733

5. Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification 606 – *Revenue from Contracts with Customers* (“ASC 606”). Under ASC 606, revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In order to achieve this core principle, the Company applies the following five steps when recording revenue: (1) identify the contract, or contracts, with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when, or as, performance obligations are satisfied.

The Company derives revenue from (1) subscription arrangements generally accounted for as operating leases under ASC 842 and (2) from the sale of products, inclusive of SaaS and maintenance and (3) professional services. The Company’s arrangements are generally noncancelable and nonrefundable after ownership passes to the customer for product sales and upon installation for subscriptions. Revenue is recognized net of sales tax.

Remaining Performance Obligations

The following table includes estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) as of September 30, 2022.

	Less than 1 year	Greater than 1 year	Total
Product revenue	$ 4,087	$ —	$ 4,087
Subscription revenue	22,682	49,935	72,617
Service revenue	9,061	23,642	32,703
Total revenue	$ 35,830	$ 73,577	$ 109,407

The amount of minimum future leases is based on expected income recognition. As of September 30, 2022, future minimum payments on noncancelable leases are as follows (in thousands):

Year Ending December 31:	
2022 (three months remaining)	$ 5,734
2023	22,403
2024	20,956
2025	17,067
2026	6,377
Thereafter	80
	$ 72,617

Contract Balances from Contracts with Customers

Contract assets arise from unbilled amounts in customer arrangements when revenue recognized exceeds the amount billed to the customer and the Company’s right to payment is conditional and not only subject to the passage of time. As of September 30, 2022 and December 31, 2021, the Company had $5.3 million and $1.5 million in current portion of contract assets and $1.5 million and $3.4 million in contract assets, noncurrent on the condensed consolidated balance sheets, respectively.

Contract liabilities represent the Company’s obligation to transfer goods or services to a customer for which it has received consideration (or the amount is due) from the customer. The Company has a contract liability related to service revenue, which consists of amounts that have been invoiced but that have not been recognized as revenue. Amounts expected to be recognized as revenue within 12 months of the balance sheet date are classified as current deferred revenue and amounts expected to be recognized as revenue beyond 12 months of the balance sheet date are classified as deferred revenue, noncurrent. The Company recognized revenue of $1.3 million and $6.0 million during the three and nine months ended September 30, 2022, respectively, that was included in the 2021 deferred revenue balance. The Company recognized revenue of $0.5 million and $2.3 million during the three and nine months ended September 30, 2021, respectively, that was included in the 2020 deferred revenue balance.

The following table provides a rollforward of deferred revenue (in thousands):

Balance at December 31, 2021	$	9,074
Revenue recognized		5,995
Revenue deferred		10,017
Balance at September 30, 2022	$	25,086

The following table presents the Company's components of lease revenue (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue from sales-type leases	$ 29	$ —	$ 1,341	$ —
Interest income on lease receivables	60	—	170	—
Lease income - operating leases	5,198	2,312	12,208	5,060
Total lease revenue	$ 5,287	$ 2,312	$ 13,719	$ 5,060

The revenue from sales-type leases is related to the Evolv Express units where the lease term is for the major part of the economic life of the underlying equipment and is classified as product revenue in the condensed consolidated statements of operations and comprehensive loss. The interest income on lease receivables is classified as other income (expense), net in the condensed consolidated statements of operations and comprehensive loss. The lease income from operating leases is related to the leased equipment under subscription arrangements and is classified as subscription revenue in the condensed consolidated statements of operations and comprehensive loss.

Disaggregated Revenue

The following table presents the Company's revenue by revenue stream (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Product revenue	$ 9,839	$ 5,395	$ 19,179	$ 10,279
Leased equipment	5,198	2,312	12,208	5,060
SaaS and Maintenance revenue	1,180	300	2,277	662
Professional services and other revenue	313	417	646	794
Total revenue	$ 16,530	$ 8,424	$ 34,310	$ 16,795

Contract Acquisition Costs

The Company incurs and pays commissions on product sales. The Company applies the practical expedient for contracts less than one year to expense the commission costs in the period in which they were incurred. Commissions on product sales and services are expensed in the period in which the related revenue is recognized. Commissions on subscription arrangements and maintenance are expensed ratably over the life of the contract. The Company had a deferred asset related to commissions of $7.0 million and $5.4 million as of September 30, 2022 and December 31, 2021, respectively. During the three months ended September 30, 2022 and 2021, the Company amortized commission expense of $1.2 million and $1.4 million, respectively. During the nine months ended September 30, 2022 and 2021, the Company amortized commission expense of $2.4 million and $2.0 million, respectively.

Give Evolv LLC

Upon the closing of the Merger, the NHIC Founders transferred 517,500 shares of its common stock to Evolv NewHold Benefit LLC ("ENHB"), which represented the initial contribution to be used to pay for the donation of Evolv's Express units to public venues and institutions, primarily schools in locations that might not otherwise be able to afford weapon detection security screening systems and related products and services. In September 2021, ENHB was renamed to Give Evolv LLC ("Give Evolv"). Give Evolv is deemed an entity under common control and a consolidating entity as it is under the same management as the Company. As such, the shares held by Give Evolv are not considered outstanding or issued.

For such arrangements, Give Evolv generally purchases the related products and services from Evolv Technologies, Inc. through an intercompany transaction using the available donated proceeds from the transfer of common stock upon the closing of the Merger. Evolv Technologies, Inc. will be responsible for the delivery of the units, in addition to providing related services, such as installation, training, and maintenance. Consideration transferred to Evolv Technologies, Inc. for the related products and services may be in the form of common stock or cash. Shares of common stock may be sold to generate funds for the purposes of paying for the donated goods and services. The sales transactions between Evolv Technologies, Inc. and Give Evolv eliminate in consolidation.

During the nine months ended September 30, 2022, the Company donated six Evolv Express units to schools, resulting in $0.2 million in general and administrative expense in the Company's condensed consolidated statements of operations and comprehensive loss. No Evolv Express units were donated during the nine months ended September 30, 2021.

6. Leases

Company Headquarters (Waltham, MA)

In April 2021, the Company entered a sublease agreement for office and storage space for its corporate headquarters located at 500 Totten Pond Road in Waltham, MA. The sublease has an initial term of 42 months beginning on May 1, 2021 and expiring on October 31, 2024. The Company is required to maintain a minimum cash balance of $0.7 million as a security deposit on the space which is classified as restricted cash, current and restricted cash, non-current on the condensed consolidated balance sheets. The Company pays for its proportionate share of building operating expenses and taxes that are treated as variable costs and excluded from the measurement of the lease. The sublease grants the Company an option to extend the term for an additional three years at the then fair market rent by giving the landlord nine months' written notice. The Company was not reasonably certain to exercise the option to extend the lease and therefore the extension term was excluded from the measurement of the lease.

Storage Facilities

The Company additionally leases three storage spaces on a month-to-month basis that are classified as short-term leases.

Operating lease cost recognized during the three and nine months ended September 30, 2022 was $0.3 million and $0.7 million, respectively. Cash paid for amounts included in the measurement of lease liabilities for the nine months ended September 30, 2022 was $0.8 million.

The weighted-average remaining lease term and discount rate as of September 30, 2022 were as follows:

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Weighted average remaining lease term	2.1 years
Weighted average discount rate	6.95 %

Future annual lease payments under non-cancelable operating leases as of September 30, 2022 were as follows (in thousands):

Year Ended December 31:		
2022 (remaining three months)	$	283
2023		1,149
2024		981
Total future lease payments		2,413
Less: imputed interest		(160)
Present value of operating lease liability	$	2,253

Rent expense recognized in accordance with ASC 840 for the three and nine months ended September 30, 2021 was approximately $0.3 million and $0.7 million, respectively.

Future annual lease payments under non-cancelable operating leases as of December 31, 2021 under ASC 840 were as follows (in thousands):

Year Ended December 31:		
2022	$	1,116
2023		1,150
2024		981
Total	$	3,247

7. Accounts Receivable

Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts were as follows (in thousands):

		Allowance for Doubtful Accounts
Balance at December 31, 2021	$	(50)
Provisions		(100)
Write-offs, net of recoveries		—
Balance at September 30, 2022	$	(150)

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8. Inventory

Inventory consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Raw materials	$ 2,617	$ 1,050
Finished goods	4,115	1,840
Total	$ 6,732	$ 2,890

9. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Prepaid deposits	$ 15,397	$ 7,273
Prepaid subscriptions	573	411
Current portion of net investment in sales-type leases	340	206
Prepaid insurance	2,771	2,625
Other	1,142	242
Total	$ 20,223	$ 10,757

10. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Computers and telecom equipment	$ 466	$ 40
Lab equipment	690	568
Furniture and fixtures	87	37
Leasehold improvements	542	491
Leased equipment	34,888	20,797
Internal-use software	3,255	1,146
Sales demo equipment	2,085	1,938
Equipment held for lease[1]	4,847	2,250
Construction in progress	180	—
	47,040	27,267
Less: Accumulated depreciation and amortization	(6,508)	(3,484)
	$ 40,532	$ 23,783

[1]Represents equipment that has not yet been deployed to a customer and, accordingly, is not being depreciated.

Depreciation and amortization expense related to property and equipment was $1.4 million and $0.8 million for the three months ended September 30, 2022 and 2021, and $3.8 million and $1.9 million for the nine months ended September 30, 2022, and 2021, respectively.

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Leased equipment and the related accumulated depreciation were as follows:

	September 30, 2022	December 31, 2021
Leased equipment	$ 34,888	$ 20,797
Accumulated depreciation	(4,868)	(2,631)
Leased equipment, net	$ 30,020	$ 18,166

Depreciation related to leased units was $1.1 million and $0.8 million during the three months ended September 30, 2022 and 2021, respectively. Depreciation expense related to leased units was $3.0 million and $1.8 million during the nine months ended September 30, 2022 and 2021, respectively. Depreciable lives are generally 7 years, consistent with the Company's planned and historical usage of the equipment subject to operating leases.

Impairment of property and equipment was $0.6 million and $1.0 million for the three and nine months ended September 30, 2022, respectively. This impairment related to Edge units and prototype versions of Express that were removed from service and retired. The Company is transitioning domestic customers to current model Express units which decreased the economic value of Edge units and Express prototypes and resulted in impairment. Impairment of property and equipment was $1.7 million and $1.7 million for the three and nine months ended September 30, 2021.

11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Accrued employee compensation and benefits expense	$ 4,240	$ 5,692
Accrued professional services and consulting	1,011	1,114
Accrued sales tax	1,671	1,204
Accrued property tax	604	302
Other	1,358	1,239
	$ 8,884	$ 9,551

12. Long-term Debt

The components of the Company's long-term debt consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Term loans payable	$ 9,000	$ 10,000
Less: Unamortized discount	(41)	(55)
	8,959	9,945
Less: Current portion of long-term debt	4,000	2,000
Long-term debt, net of discount	$ 4,959	$ 7,945

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Term Loan Agreements

JPMorgan Chase Bank, N.A.(“JPM”) Credit Agreement

In December 2020, the Company entered into a $10.0 million credit agreement with JPMorgan Chase Bank, N.A. (“JPM Credit Agreement”) with a maturity date of December 3, 2024 and a revolving line of credit of up to $10.0 million with a maturity date of December 3, 2022.

Principal and interest on the JPM Credit Agreement is payable monthly commencing on July 1, 2022. The JPM Credit Agreement accrues interest at an annual rate calculated as the greater of (A) the Wall Street Journal Prime Rate plus 2.25% or (B) 5.5%. The revolving line of credit accrues interest at an annual rate calculated as the greater of (A) the Wall Street Journal Prime Rate plus 1.25% or (B) 4.5%. Upon closing, the Company issued warrants to purchase 377,837 shares of common stock to the lender with an exercise price of $0.42 per share with a fair value of $0.1 million on the date of issuance. The Company incurred debt issuance costs of $0.1 million equal to the fair value of the warrants in connection with the JPM Credit Agreement. These costs were recorded as debt discount and are amortized to interest expense, using the effective interest method, over the term of the loan. Upon the closing of the Merger, the warrants were converted into shares of the Company's common stock.

As of September 30, 2022, the unamortized debt discount was less than $0.1 million. As of September 30, 2022, the accrued interest on the JPM Credit Agreement was $0.1 million, which is included in accrued expenses and other current liabilities in the condensed consolidated balance sheet. Interest expense related to the JPM Credit Agreement totaled $0.2 million and $0.2 million for the three months ended September 30, 2022 and September 30, 2021, respectively, which includes the amortization of the debt discount which totaled less than $0.1 million in each period. Interest expense related to the JPM Credit Agreement totaled $0.5 million and $0.6 million for the nine months ended September 30, 2022 and September 30, 2021, respectively, which includes the amortization of the debt discount which totaled less than $0.1 million in each period. The interest rate in effect as of September 30, 2022 was 8.50% for the JPM Credit Agreement.

The Company’s obligations under the JPM Credit Agreement are secured by a first-priority security interest in all of its assets, including intellectual property.

As of September 30, 2022, future principal payments on long-term debt are as follows (in thousands):

December 31,		
2022 (remaining three months)	$	1,000
2023		4,000
2024		4,000
	$	9,000

Convertible Note

In September 2020, the Company entered into a Convertible Note Purchase Agreement (the “2020 Convertible Notes”) with an investor for gross proceeds of $2.0 million with a stated interest rate of 6.0% per annum. An additional $2.0 million in gross proceeds were made available in December 31, 2020 upon achievement of the integration milestone, whereby the Company successfully created software utilizing the investor’s application programming interface. The 2020 Convertible Notes provided a conversion option whereby upon the closing of a Qualified Financing event, in which the aggregate gross proceeds of the issuance of preferred stock totaled at least $10.0 million, the notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. The conversion option met the definition of an embedded derivative and was required to be bifurcated and accounted for separately from the notes. The proceeds from the 2020 Convertible Notes were allocated between the derivative liability, with a fair value at issuance of $1.0 million, and the notes, with an initial carrying value of $3.0 million, and included in long-term liabilities on the Company’s condensed consolidated balance sheet. The difference between the initial carrying value of the notes and the stated value of the notes represented a discount that was accreted to interest expense over the term of the Convertible Notes using the effective interest method. This derivative liability was derecognized as of December 31, 2021 as the liability was settled pursuant to the closing of the merger.

Interest expense related to the 2020 Convertible Notes totaled less than $0.1 million and $0.3 million for the three and nine months ended September 30, 2021, respectively. No interest expense was recognized related to the 2020 Convertible Notes for the three and nine months ended September 30, 2022.

In January and February 2021, the Company entered into a Convertible Note Purchase Agreement (the “2021 Convertible Notes”) with various investors for gross proceeds of $30.0 million with a stated interest rate of 8.0% per annum. The 2021 Convertible Notes provided a conversion option whereby upon the closing of a Qualified Financing event, in which the aggregate gross proceeds totaled at least $100.0 million, the notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80.0% of the price per share paid by the other investors. The conversion option met the definition of an embedded derivative and was required to be bifurcated and accounted for separately from the notes. The proceeds from the 2021 Convertible Notes were allocated between the derivative liability, with a fair value at issuance of $7.0 million, and the notes, with an initial carrying value of $23.0 million, and included in long-term liabilities on the Company’s condensed consolidated balance sheet. The difference between the initial carrying value of the notes and the stated value of the notes represented a discount that was accreted to interest expense over the term of the Convertible Notes using the effective interest method. This derivative liability was derecognized as of December 31, 2021 as the liability was settled pursuant to the closing of the Merger.

In June 2021, the Company modified the 2021 Convertible Notes to grant the holders an additional 1,000,000 shares of NHIC common stock as further consideration upon the automatic conversion of the notes upon closing of the Merger. This modification of the notes resulted in an extinguishment and the Company recognized a loss on extinguishment of the 2021 Convertible Notes of $11.8 million. The $26.7 million carrying value of the notes at June 21, 2021 was derecognized and replacement notes with an initial carrying value of $29.6 million were recorded. Additionally, in the extinguishment accounting, a derivative liability of $19.2 million was recognized, which represents the value of the 1,000,000 NHIC shares as well as a bifurcated embedded derivative for the conversion option.

Upon the closing of the Merger, the Convertible Notes automatically converted into 4,408,672 shares of the Company’s common stock and the holders of the 2021 Convertible Notes also received the right to receive 1,000,000 shares of the Company’s common stock, as noted above. Upon the conversion of the Convertible Notes, the carrying value of the debt of $32.8 million, and the related derivative liability of $19.7 million and accrued interest of $0.2 million were derecognized resulting in a loss on extinguishment of debt of $0.9 million recorded in other income (expense).

Interest expense related to the 2021 Convertible Notes totaled $0.1 million and $4.9 million for the three and nine months ended September 30, 2021, respectively. No interest expense was recognized related to the 2021 Convertible Notes for the three and nine months ended September 30, 2022.

13. Warrants

In January 2021, the Company granted warrants (the "Finback Common Stock Warrants") for the purchase of 2,552,913 shares of the Company's common stock at an exercise price of $0.42 per share to Finback Evolv II, LLC ("Finback"), a consulting group affiliated with one of the Company's shareholders. The Finback Common Stock Warrants vest upon meeting certain sales criteria as defined in a business development agreement (the "Finback BDA") and expire in January 2031. The Finback Common Stock Warrants are accounted for under ASC 718 *Compensation – Stock Compensation* as the warrants vest upon certain performance conditions being met (see Note 16).

In connection with the closing of the Merger, the Company assumed the Public Warrants for the purchase of 14,325,000 shares of common stock at an exercise price of $11.50. The Public Warrants are immediately exercisable and expire in July 2026. The Public Warrants are classified as a liability and recorded at their fair value of $23.6 million on the date of closing of the Merger with an offset to additional paid-in-capital and are subsequently remeasured to fair value at each reporting date based on the publicly available trading price. The change in fair value of the public warrant liability of

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$(1.1) million and $4.3 million for the three and nine months ended September 30, 2022, respectively, was recognized as a component of other income (expense), net in the condensed consolidated statements of operations and comprehensive loss.

As of September 30, 2022 and December 31, 2021, warrants to purchase the following classes of Common Stock outstanding consisted of the following in the table below:

September 30, 2022					
Issuance Date	Contractual Term (in years)	Underlying Equity Instrument	Balance Sheet Classification	Shares Issuable Upon Exercise of Warrant	Weighted Average Exercise Price
January 13, 2021	10	Common stock	Equity	2,552,913	$ 0.42
July 16, 2021	5	Common stock	Liability	14,324,994	$ 11.50
				16,877,907	

December 31, 2021					
Issuance Date	Contractual Term (in years)	Underlying Equity Instrument	Balance Sheet Classification	Shares Issuable Upon Exercise of Warrant	Weighted Average Exercise Price
January 13, 2021	10	Common stock	Equity	2,552,913	$ 0.42
July 16, 2021	5	Common stock	Liability	14,324,994	$ 11.50
				16,877,907	

14. Convertible Preferred Stock

Prior to the Merger, Legacy Evolv had issued Series A convertible preferred stock (“Series A Preferred Stock”), Series A-1 convertible preferred stock (“Series A-1 Preferred Stock”), Series B convertible preferred stock (“Series B Preferred Stock”), and Series B-1 convertible preferred stock (“Series B-1 Preferred Stock”), collectively referred to as the “Preferred Stock”.

Pursuant to the Merger Agreement, immediately prior to the Merger, each share of Legacy Evolv’s Series A-1, Series B-1, and Series B preferred stock outstanding converted to Legacy Evolv common stock on a 1:1 conversion ratio. Pursuant to the Merger Agreement, immediately prior to the Merger, each share of Legacy Evolv’s Series A preferred stock outstanding converted to Legacy Evolv common stock on a 2:1 conversion ratio. On the closing date of the Merger, each share of Legacy Evolv common stock then issued and outstanding was canceled and the holders thereof in exchange received shares of Evolv Technologies Holdings, Inc. equal to 0.378 shares for each share of Legacy Evolv common stock. As of December 31, 2021, the Company has no preferred stock outstanding as all convertible preferred stock converted to common stock upon closing of the Merger.

15. Common Stock

As of September 30, 2022 and December 31, 2021, the Company had reserved 74,315,885 and 76,008,377 shares of common stock, respectively, for exercise of outstanding stock options, granting of awards under the Company’s 2021 Equity Incentive Plan and 2013 Equity Incentive Plan (see Note 16) and the exercise of outstanding warrants (see Note 13).

16. Stock-Based Compensation

2021 Incentive Award Plan

The Company’s 2021 Incentive Award Plan (the “2021 Plan”) provides for the Company to grant incentive stock options or nonqualified stock options, restricted stock awards, restricted stock units, performance stock units, and other stock-based awards to employees, officers, directors and non-employees of the Company. A total of 21,177,295 shares of common stock may be issued under the 2021 Plan. As of September 30, 2022 and December 31, 2021, 11,287,459 and 19,511,916 shares, respectively, remained available for future grant under the 2021 Plan. Shares, units, and options that are expired, forfeited, canceled or otherwise terminated without having been fully exercised will be available for future grant under the 2021 Plan. In addition, shares of common stock that are tendered to the Company by a participant to exercise an award are added to the number of shares of common stock available for future grants.

Stock Options

The following table presents, on a weighted average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant-date fair value of stock options granted during the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,	
	2022	2021
Risk-free interest rate	1.6 %	0.7 %
Expected term (in years)	6.1	6.0
Expected volatility	75.0 %	31.4 %
Expected dividend yield	0.0 %	0.0 %

The following table summarizes the Company's stock option activity since December 31, 2021 (in thousands, except for share and per share data):

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
			(in years)	
Outstanding as of December 31, 2021	20,769,130	$ 0.39		
Granted	2,262,925	3.49		
Exercised	(1,278,014)	0.43		
Forfeited	(726,201)	0.42		
Outstanding as of September 30, 2022	21,027,840	0.72	7.3	$ 32,445
Vested and expected to vest as of September 30, 2022	21,027,840	$ 0.72	7.3	$ 32,445
Options exercisable as of September 30, 2022	13,190,147	$ 0.38	6.7	$ 22,981

The weighted average exercise price of the stock options granted in 2022 in the table above has been updated to align with the terms of the stock option awards.

The aggregate intrinsic value of options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those options that had exercise prices lower than the fair value of the Company's common stock.

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Restricted Stock Units

The following table summarizes the Company's restricted stock units activity since December 31, 2021:

	Number of Shares	Grant Date Fair Value
Outstanding as of December 31, 2021	1,951,924	$ 6.76
Granted	7,136,963	3.30
Vested	(414,478)	7.02
Cancelled	(1,338,230)	5.24
Outstanding as of September 30, 2022	7,336,179	$ 3.65

During the three and nine months ended September 30, 2022, the aggregate grant-date fair value of restricted stock units issued under the 2021 Plan was $0.6 million and $23.5 million, respectively. Restricted stock units generally vest ratably over a three year period subject to the grantee's continued service through the applicable vesting date.

Performance Stock Units

The following table summarizes the Company's performance stock units activity since December 31, 2021:

	Number of Shares	Grant Date Fair Value
December 31, 2021	—	$ —
Granted	947,000	2.65
Vested	—	—
Canceled	(58,000)	2.65
September 30, 2022	889,000	$ 2.65

During the three and nine months ended September 30, 2022, the aggregate grant-date value of performance stock units issued under the 2021 Plan was less than $0.1 million and $2.5 million, respectively. Based upon the terms of the award agreements, 50% of the applicable units shall vest on January 1, 2023 and 50% on January 1, 2024, provided that the Company has achieved its annual bookings goal for fiscal year 2022 and subject to the grantee’s continued service through the applicable vesting date.

2021 Employee Stock Purchase Plan

As of September 30, 2022 and December 31, 2021, 3,435,748 shares of the Company’s common stock remained available for future issuance under the 2021 Employee Stock Purchase Plan. The Company’s board of directors may from time to time grant or provide for the grant to eligible employees of options to purchase common stock under the 2021 Employee Stock Purchase Plan during a specific offering period. As of September 30, 2022, no offerings have been approved.

Finback Common Stock Warrants

The Company utilized a Black-Scholes pricing model to determine the grant-date fair value of the Finback Common Stock Warrants. The assumptions used are presented in the following table:

Warrants - Black Scholes		
Risk-free interest rate	$	0.4 %
Expected term (in years)		3.0
Expected volatility		23.9 %
Expected dividend yield		0.0 %

On the date of issuance, the total value of the Finback Common Stock Warrants was $19.5 million.

As of September 30, 2022, 700,575 Finback Common Stock Warrants were exercisable at a total aggregate intrinsic value of $1.2 million. The remaining 1,852,338 Finback Common Stock Warrants are unvested and have a total unrecognized grant date fair value of $14.1 million. As of September 30, 2022, none of the Finback Common Stock Warrants had been exercised. The Company recognizes compensation expense for the Finback Common Stock Warrants when the warrants become vested based on meeting the certain sales criteria. During the three and nine months ended September 30, 2022, the Company recorded $1.3 million and $2.1 million, respectively, of stock-based compensation expense within sales and marketing expense related to the 2021 Finback common stock warrants.

Stock-Based Compensation

Stock-based compensation expense was classified in the condensed consolidated statements of operations and comprehensive loss as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 227	$ 66	$ 615	$ 91
Research and development	1,664	319	3,143	396
Sales and marketing	2,482	3,226	6,310	4,305
General and administrative	2,152	1,044	5,445	1,240
Total stock-based compensation expense	$ 6,525	$ 4,655	$ 15,513	$ 6,032

Stock-based compensation expense by award type recognized in the condensed consolidated statements of operations and comprehensive loss was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options	$ 458	$ 123	$ 1,151	$ 565
Earn-out shares	1,832	3,269	5,435	3,269
Warrants	1,285	1,012	2,126	1,806
RSUs and PSUs	2,950	251	6,801	392
Total stock-based compensation expense	$ 6,525	$ 4,655	$ 15,513	$ 6,032

17. Income Taxes

During the three and nine months ended September 30, 2022 and 2021, the Company did not record income tax provisions or income tax benefits due to the net loss before income taxes expected to be incurred for the year ending

December 31, 2022, as well as the Company's continued maintenance of a full valuation allowance against its net deferred tax assets, and the net loss before income taxes incurred for the year ended December 31, 2021.

The Company's tax provision and the resulting effective tax rate for interim periods is determined based upon its estimated annual effective tax rate ("AETR"), adjusted for the effect of discrete items arising in that quarter. The impact of such inclusions could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings or losses versus annual projections. In each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual tax rate changes, a cumulative adjustment is made in that quarter.

18. Net Loss per Share

Basic and diluted net loss per share attributable to common stockholders was calculated as follows (in thousands, except share and per share amounts):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income (loss) attributable to common stockholders – basic	$ (18,615)	$ 20,807	$ (58,102)	$ (15,676)
Change in fair value for warrant liability	—	(42)	—	—
Interest to convertible notes	—	123	—	—
Loss on extinguishment of debt	—	865	—	—
Change in fair value of derivative liability	—	(475)	—	—
Net income (loss) attributable to common stockholders – diluted	$ (18,615)	$ 21,278	$ (58,102)	$ (15,676)
Denominator:				
Weighted average common shares outstanding – basic	144,117,273	119,745,196	143,522,555	47,772,253
Weighted average effect of potentially dilutive securities:				
Effect of potentially dilutive convertible preferred stock	—	14,065,012	—	—
Effect of potentially dilutive warrants	—	423,271	—	—
Effect of potentially dilutive stock options	—	19,696,440	—	—
Effect of potentially dilutive restricted stock units	—	6,517	—	—
Total potentially dilutive securities	—	34,191,240	—	—
Weighted average common shares outstanding — diluted	144,117,273	153,936,436	143,522,555	47,772,253
Net income (loss) per share attributable to common stockholders - basic	$ (0.13)	$ 0.17	$ (0.40)	$ (0.33)
Net income (loss) per share attributable to common stockholders - diluted	$ (0.13)	$ 0.14	$ (0.40)	$ (0.33)

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The following potentially dilutive outstanding securities were excluded from the computation of diluted net loss per share attributable to common stockholders because their effect would have been anti-dilutive or issuance of such shares is contingent upon the satisfaction of certain conditions which were not satisfied by the end of the period:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Options issued and outstanding	21,027,840	1,589,357	21,027,840	21,285,797
Public Warrants to purchase common stock	14,324,994	14,325,000	14,324,994	14,325,000
Warrants to purchase common stock (Finback)***	2,552,913	2,214,879	2,552,913	2,552,913
Unvested restricted stock units	7,336,179	1,664,567	7,336,179	1,671,084
Unvested performance stock units	889,000	—	889,000	—
Earn-out shares**	15,000,000	15,000,000	15,000,000	15,000,000
Contingently issuable common stock**	1,897,500	1,897,500	1,897,500	1,897,500
Convertible notes (as converted to common stock)*	—	5,408,672	—	5,408,672
	63,028,426	42,099,975	63,028,426	62,140,966

* Conversion feature is only triggered upon the closing of a Qualified Financing Event

** Issuance of Earn-out shares and Contingently issuable common stock are contingent upon the satisfaction of certain conditions, which were not satisfied by the end of the period

*** Includes 700,575 vested warrants and 1,852,338 unvested warrants as of September 30, 2022

19. Related Party Transactions

Nonrecourse Promissory Note with Officer

In August 2020, the Company entered into a $0.4 million promissory note with an officer with the proceeds being used to exercise options for 1,469,366 shares of common stock at a price of $0.24 per share. The promissory note bore interest at the Wall Street Journal Prime Rate and was secured by the underlying shares of common stock that were issued upon the exercise of the stock options. The promissory note was treated as nonrecourse as the loan was only secured by the common stock issued from the exercise of the stock options. As such, (i) the underlying stock option grant was still considered to be outstanding and the shares of common stock were not considered issued and outstanding for accounting purposes until the loan was repaid in full or otherwise forgiven and (ii) no receivable was recorded for the promissory note on the Company's condensed consolidated balance sheets. As such, the promissory note effectively extended the maturity date of the option grant for the life of the loan, this change is treated as a stock option modification. The incremental fair value from the stock option modification was deemed immaterial. The interest on this nonrecourse loan is also considered nonrecourse. As the Company has no intent to collect interest, no accrued interest was recorded.

In June 2021, the Company agreed to repurchase 43,665 shares of common stock valued at $8.05 per share of common stock held by the officer of the Company. In exchange for the repurchase of the common stock by the Company, the $0.4 million promissory note held by the officer was considered repaid in full.

Business Development Agreement with Finback

In January 2021, the Company granted the Finback Common Stock Warrants. During the three months ended September 30, 2022 and 2021, the Company recorded $1.3 million and $1.0 million, respectively, of stock-based compensation expense within sales and marketing expense related to the Finback Common Stock Warrants. During the nine months ended September 30, 2022 and 2021, the Company recorded $2.1 million and $1.8 million, respectively, of stock-based compensation expense within sales and marketing expense for the Finback Common Stock Warrants.

In connection with the Merger and pursuant to the Merger Agreement, Finback is entitled to receive a proportional share of earn-out shares as an earn-out service provider, based upon the remaining unvested warrants as of the Merger

Date. As of September 30, 2022, Finback can earn 284,511 earn-out shares subject to stock-based compensation, based on the achievement of certain milestones. During the three and nine months ended September 30, 2021, $1.5 million stock-based compensation expense was recorded within sales and marketing expense for the earn-out shares allocated to Finback. During the three and nine months ended September 30, 2022, no stock-based compensation expense was recorded within sales and marketing expense for the earn-out shares allocated to Finback.

Original Equipment Manufacturer Partnership Agreement with Motorola

In December 2020, the Company entered into an original equipment manufacturer partnership agreement (the “Distribution Agreement”) with Motorola, an investor in the Company. In June 2021, the partnership agreement was amended by the Amended and Restated Distribution Agreement (the “Amended and Restated Distribution Agreement”). Motorola sells Motorola-branded premium products based on the Evolv Express platform through their worldwide network of over 2,000 resellers and integration partners, and has integrated the Evolv Express platform with Motorola products. During the three months ended September 30, 2022 and 2021, revenue from sales to Motorola was $2.3 million and less than $0.1 million, respectively. During the nine months ended September 30, 2022 and 2021, revenue from sales to Motorola was $5.0 million and less than $0.1 million, respectively. As of September 30, 2022 and December 31, 2021, accounts receivable related to Motorola’s distributor services was $4.1 million and $1.2 million, respectively.

20. Commitments and Contingencies

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its Board of Directors and certain of its executive officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their role, status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not currently aware of any indemnification claims and has not accrued any liabilities related to such obligations in its condensed consolidated financial statements as of September 30, 2022 or December 31, 2021.

Legal Proceedings

The Company is not a party to any litigation and does not have contingency reserves established for any litigation liabilities. At each reporting date, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Company expenses the costs related to such legal proceedings as incurred.

21. Revision of Prior Period Financial Statements

As discussed in Note 1, in preparing the condensed consolidated financial statements as of and for the three and six months ended June 30, 2022, the Company identified errors in its previously issued financial statements whereby (a) certain expenses that were cost of subscription revenue related and cost of service revenue related were inaccurately classified as sales and marketing expenses on the consolidated statements of operations and comprehensive loss, (b) certain equipment under lease or held for lease was inaccurately classified as inventory on the consolidated balance sheets and a portion of the cash outflows related to the equipment under lease or held for lease were misclassified between operating and investing cash flows on the consolidated statements of cash flows, and (c) the vesting of warrants related to the Business Development Agreement disclosed in Note 16 were not accounted for accurately. The identified errors impacted the Company's previously issued 2020 annual financial statements, 2021 quarterly and annual financial statements, and quarterly financial statements for the three months ended March 31, 2022. The Company has made adjustments to the prior period amounts presented in these financial statements accordingly. Additionally, the Company has made adjustments to correct for other previously identified immaterial errors. The Company evaluated the errors and determined that the related

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impacts were not material to any previously issued annual or interim financial statements. The impact of the revisions is as follows (in thousands):

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Revised Condensed Consolidated Balance Sheets

	December 31, 2021		
	As Previously Reported	**Adjustment**	**As Revised**
Assets			
Current assets:			
Cash and cash equivalents	$ 307,492	$ —	$ 307,492
Restricted cash	400	—	400
Accounts receivable, net	6,477	—	6,477
Inventory	5,140	(2,250)	2,890
Current portion of contract assets	1,459	—	1,459
Current portion of commission asset	1,645	—	1,645
Prepaid expenses and other current assets	11,047	(290)	10,757
Total current assets	333,660	(2,540)	331,120
Restricted cash, noncurrent	275	—	275
Contract assets, noncurrent	3,418	—	3,418
Commission asset, noncurrent	3,719	—	3,719
Property and equipment, net	21,592	2,191	23,783
Other assets	401	141	542
Total assets	$ 363,065	$ (208)	$ 362,857
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 6,363	$ (318)	$ 6,045
Accrued expenses and other current liabilities	9,183	368	9,551
Current portion of deferred revenue	6,690	(91)	6,599
Current portion of deferred rent	135	—	135
Current portion of long-term debt	2,000	—	2,000
Total current liabilities	24,371	(41)	24,330
Deferred revenue, noncurrent	2,475	—	2,475
Deferred rent, noncurrent	333	—	333
Long-term debt, noncurrent	7,945	—	7,945
Contingent earn-out liability	20,809	397	21,206
Contingently issuable common stock liability	5,264	—	5,264
Public warrant liability	11,030	—	11,030
Total liabilities	72,227	356	72,583
Stockholders' equity:			
Convertible preferred stock	—	—	—
Common stock	14	—	14
Additional paid-in capital	395,563	501	396,064
Accumulated deficit	(104,739)	(1,065)	(105,804)
Stockholders' equity	290,838	(564)	290,274
Total liabilities and stockholders' equity	$ 363,065	$ (208)	$ 362,857

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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	December 31, 2020		
	As Previously Reported	**Adjustment**	**As Revised**
Assets			
Current assets:			
Cash and cash equivalents	$ 4,704	$ —	$ 4,704
Accounts receivable, net	1,401	—	1,401
Inventory	2,742	(1,156)	1,586
Current portion of commission asset	562	—	562
Prepaid expenses and other current assets	900	641	1,541
Total current assets	10,309	(515)	9,794
Commission asset, noncurrent	1,730	—	1,730
Property and equipment, net	9,316	752	10,068
Other assets	—	173	173
Total assets	$ 21,355	$ 410	$ 21,765
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 4,437	$ —	$ 4,437
Accrued expenses and other current liabilities	3,727	484	4,211
Current portion of deferred revenue	3,717	45	3,762
Current portion of deferred rent	11	—	11
Current portion of financing obligations	227	—	227
Total current liabilities	12,119	529	12,648
Deferred revenue, noncurrent	480	—	480
Financing obligation, noncurrent	132	—	132
Long-term debt, noncurrent	16,432	—	16,432
Derivative Liability	1,000	—	1,000
Common stock warrant liability	1	—	1
Total liabilities	30,164	529	30,693
Stockholders' equity:			
Convertible preferred stock	75,877	—	75,877
Common stock	1	—	1
Additional paid-in capital	9,194	916	10,110
Accumulated deficit	(93,881)	(1,035)	(94,916)
Stockholders' equity	(84,686)	(119)	(84,805)
Total liabilities and stockholders' equity	$ 21,355	$ 410	$ 21,765

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Revised Condensed Consolidated Statements of Operations and Comprehensive Loss

	Three Months Ended March 31, 2022		
	As Previously Reported	**Adjustment**	**As Revised**
Revenue:			
Product revenue	$ 5,194	$ —	$ 5,194
Subscription revenue	3,020	(16)	3,004
Service revenue	501	11	512
Total revenue	8,715	(5)	8,710
Cost of revenue:			
Cost of product revenue	5,576	(370)	5,206
Cost of subscription revenue	1,065	477	1,542
Cost of service revenue	448	617	1,065
Total cost of revenue	7,089	724	7,813
Gross profit	1,626	(729)	897
Operating expenses:			
Research and development	4,286	(111)	4,175
Sales and marketing expense	12,053	(2,381)	9,672
General and administrative	11,093	(276)	10,817
Loss from impairment of property and equipment	96	—	96
Total operating expenses	27,528	(2,768)	24,760
Loss from operations	(25,902)	2,039	(23,863)
Other income (expense), net:			
Interest expense	(142)	—	(142)
Interest income	209	(141)	68
Change in fair value of contingent earn-out liability	4,226	(1,148)	3,078
Change in fair value of contingently issuable common stock liability	1,472	—	1,472
Change in fair value of public warrant liability	5,586	—	5,586
Total other income (expense), net	11,351	(1,289)	10,062
Net loss	$ (14,551)	$ 750	$ (13,801)
Weighted average common shares outstanding - basic and diluted	142,878,406	—	142,878,406
Net loss per share - basic and diluted	$ (0.10)	$ —	$ (0.10)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Year Ended December 31, 2021		
	As Previously Reported	Adjustment	As Revised
Revenue:			
Product revenue	$ 13,917	$ (286)	$ 13,631
Subscription revenue	7,855	(52)	7,803
Service revenue	1,920	39	1,959
Total revenue	23,692	(299)	23,393
Cost of revenue:			
Cost of product revenue	12,471	(192)	12,279
Cost of subscription revenue	3,644	857	4,501
Cost of service revenue	936	1,648	2,584
Total cost of revenue	17,051	2,313	19,364
Gross profit	6,641	(2,612)	4,029
Operating expenses:			
Research and development	11,416	42	11,458
Sales and marketing expense	27,404	(1,305)	26,099
General and administrative	20,013	(144)	19,869
Loss from impairment of property and equipment	1,869	—	1,869
Total operating expenses	60,702	(1,407)	59,295
Loss from operations	(54,061)	(1,205)	(55,266)
Other income (expense), net:			
Interest expense, net	(6,095)	27	(6,068)
Interest income	—	—	—
Loss on disposal of property and equipment	(617)	—	(617)
Loss on extinguishment of debt	(12,685)	—	(12,685)
Change in fair value of derivative liability	(1,745)	—	(1,745)
Change in fair value of contingent earn-out liability	46,212	1,148	47,360
Change in fair value of contingently issuable common stock liability	6,406	—	6,406
Change in fair value of public warrant liability	12,606	—	12,606
Change in fair value of common stock warrant liability	(879)	—	(879)
Total other income (expense), net	43,203	1,175	44,378
Net loss	$ (10,858)	$ (30)	$ (10,888)
Weighted average common shares outstanding - basic and diluted	71,662,694	—	71,662,694
Net loss per share - basic and diluted	$ (0.15)	$ —	$ (0.15)

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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	Three Months Ended September 30, 2021			Nine Months Ended September 30, 2021		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Revenue:						
Product revenue	$ 5,345	$ 50	$ 5,395	$ 10,299	$ (20)	$ 10,279
Subscription revenue	2,305	7	2,312	5,118	(58)	5,060
Service revenue	717	—	717	1,429	27	1,456
Total revenue	8,367	57	8,424	16,846	(51)	16,795
Cost of revenue:						
Cost of product revenue	2,933	34	2,967	7,237	149	7,386
Cost of subscription revenue	1,086	191	1,277	2,542	538	3,080
Cost of service revenue	192	521	713	732	953	1,685
Total cost of revenue	4,211	746	4,957	10,511	1,640	12,151
Gross profit	4,156	(689)	3,467	6,335	(1,691)	4,644
Operating expenses:						
Research and development	3,641	(29)	3,612	8,330	69	8,399
Sales and marketing expense	8,510	1,514	10,024	17,284	472	17,756
General and administrative	6,983	552	7,535	11,162	896	12,058
Loss from impairment of property and equipment	1,656	—	1,656	1,656	—	1,656
Total operating expenses	20,790	2,037	22,827	38,432	1,437	39,869
Loss from operations	(16,634)	(2,726)	(19,360)	(32,097)	(3,128)	(35,225)
Other income (expense), net:						
Interest expense, net	(286)	(9)	(295)	(5,988)	36	(5,952)
Other expense, net	(669)	—	(669)	(669)	—	(669)
Loss on extinguishment of debt	(865)	—	(865)	(12,685)	—	(12,685)
Change in fair value of derivative liability	475	—	475	(1,745)	—	(1,745)
Change in fair value of contingent earn-out liability	31,818	791	32,609	31,818	791	32,609
Change in fair value of contingently issuable common stock liability	5,718	—	5,718	5,718	—	5,718
Change in fair value of public warrant liability	3,152	—	3,152	3,152	—	3,152
Change in fair value of common stock warrant liability	42	—	42	(879)	—	(879)
Total other income (expense), net	39,385	782	40,167	18,722	827	19,549
Net income (loss) attributable to common stockholders - basic	$ 22,751	$ (1,944)	$ 20,807	$ (13,375)	$ (2,301)	$ (15,676)
Net income (loss) attributable to common stockholders - diluted	$ 23,222	$ (1,944)	$ 21,278	$ (13,375)	$ (2,301)	$ (15,676)
Weighted average common shares outstanding						
Basic	119,745,196	—	119,745,196	47,772,253	—	47,772,253
Diluted	153,867,300	69,136	153,936,436	47,772,253	—	47,772,253
Net income (loss) per share						
Basic	$ 0.19	$ (0.02)	$ 0.17	$ (0.28)	$ (0.05)	$ (0.33)
Diluted	$ 0.15	$ (0.01)	$ 0.14	$ (0.28)	$ (0.05)	$ (0.33)

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(Unaudited)

	Three Months Ended June 30, 2021			Six Months Ended June 30, 2021		
	As Previously Reported	Adjustment	As Revised	As Previously Reported	Adjustment	As Revised
Revenue:						
Product revenue	$ 2,452	$ 165	$ 2,617	$ 4,954	$ (70)	$ 4,884
Subscription revenue	1,513	8	1,521	2,813	(65)	2,748
Service revenue	515	25	540	712	27	739
Total revenue	4,480	198	4,678	8,479	(108)	8,371
Cost of revenue:						
Cost of product revenue	2,075	128	2,203	4,304	115	4,419
Cost of subscription revenue	861	199	1,060	1,456	347	1,803
Cost of service revenue	413	274	687	540	432	972
Total cost of revenue	3,349	601	3,950	6,300	894	7,194
Gross profit	1,131	(403)	728	2,179	(1,002)	1,177
Operating expenses:						
Research and development	1,077	(30)	1,047	4,689	98	4,787
Sales and marketing expense	5,090	34	5,124	8,774	(1,042)	7,732
General and administrative	1,280	191	1,471	4,179	344	4,523
Total operating expenses	7,447	195	7,642	17,642	(600)	17,042
Loss from operations	(6,316)	(598)	(6,914)	(15,463)	(402)	(15,865)
Other income (expense), net:						
Interest expense, net	(3,255)	(8)	(3,263)	(5,702)	45	(5,657)
Interest income	—	—	—	—	—	—
Loss on extinguishment of debt	(11,820)	—	(11,820)	(11,820)	—	(11,820)
Change in fair value of derivative liability	(795)	—	(795)	(2,220)	—	(2,220)
Change in fair value of common stock warrant liability	(185)	—	(185)	(921)	—	(921)
Total other income (expense), net	(16,055)	(8)	(16,063)	(20,663)	45	(20,618)
Net loss	$ (22,371)	$ (606)	$ (22,977)	$ (36,126)	$ (357)	$ (36,483)
Weighted average common shares outstanding - basic and diluted	11,922,270	—	11,922,270	11,186,204	—	11,186,204
Net loss per share - basic and diluted	$ (1.88)	$ (0.05)	$ (1.93)	$ (3.23)	$ (0.03)	$ (3.26)

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Three Months Ended March 31, 2021		
	As Previously Reported	**Adjustment**	**As Revised**
Revenue:			
Product revenue	$ 2,502	$ (235)	$ 2,267
Subscription revenue	1,300	(73)	1,227
Service revenue	197	2	199
Total revenue	3,999	(306)	3,693
Cost of revenue:			
Cost of product revenue	2,229	(13)	2,216
Cost of subscription revenue	595	148	743
Cost of service revenue	127	158	285
Total cost of revenue	2,951	293	3,244
Gross profit	1,048	(599)	449
Operating expenses:			
Research and development	3,612	128	3,740
Sales and marketing expense	3,684	(1,076)	2,608
General and administrative	2,899	153	3,052
Total operating expenses	10,195	(795)	9,400
Loss from operations	(9,147)	196	(8,951)
Other income (expense), net:			
Interest expense, net	(2,447)	53	(2,394)
Change in fair value of derivative liability	(1,425)	—	(1,425)
Change in fair value of common stock warrant liability	(736)	—	(736)
Total other income (expense), net	(4,608)	53	(4,555)
Net loss	$ (13,755)	$ 249	$ (13,506)
Weighted average common shares outstanding - basic and diluted	10,443,323	—	10,443,323
Net loss per share - basic and diluted	$ (1.32)	$ 0.03	$ (1.29)

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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	Year Ended December 31, 2020		
	As Previously Reported	Adjustment	As Revised
Revenue:			
Product revenue	$ 1,279	$ 503	$ 1,782
Subscription revenue	2,637	93	2,730
Service revenue	869	—	869
Total revenue	4,785	596	5,381
Cost of revenue:			
Cost of product revenue	1,177	562	1,739
Cost of subscription revenue	1,824	—	1,824
Cost of service revenue	495	1	496
Total cost of revenue	3,496	563	4,059
Gross profit	1,289	33	1,322
Operating expenses:			
Research and development	15,710	(157)	15,553
Sales and marketing expense	7,365	919	8,284
General and administrative	5,110	420	5,530
Total operating expenses	28,185	1,182	29,367
Loss from operations	(26,896)	(1,149)	(28,045)
Other income (expense), net:			
Interest expense, net	(430)	114	(316)
Loss on extinguishment of debt	(66)	—	(66)
Total other income (expense), net	(496)	114	(382)
Net loss	$ (27,392)	$ (1,035)	$ (28,427)
Weighted average common shares outstanding - basic and diluted	8,932,404	—	8,932,404
Net loss per share - basic and diluted	$ (3.07)	$ (0.11)	$ (3.18)

EVOLV TECHNOLOGIES HOLDINGS, INC.
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(Unaudited)

Revised Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2022		
	As Previously Reported	Adjustment	As Revised
Cash flows from operating activities:			
Net loss	$ (14,551)	$ 750	$ (13,801)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	948	138	1,086
Write-off of inventory	324	—	324
Adjustment to property and equipment for sales type leases	(321)	(304)	(625)
Loss from impairment of property and equipment	96	—	96
Stock-based compensation	5,190	(1,263)	3,927
Non-cash interest expense	5	—	5
Non-cash lease expense	197	—	197
Change in fair value of earn-out liability	(4,226)	1,148	(3,078)
Change in fair value of contingently issuable common stock	(1,472)	—	(1,472)
Change in fair value of public warrant liability	(5,586)	—	(5,586)
Changes in operating assets and liabilities			
Accounts receivable	(2,112)	—	(2,112)
Inventory	(6,985)	5,675	(1,310)
Commission assets	(351)	—	(351)
Contract assets	108	—	108
Other assets	—	141	141
Prepaid expenses and other current assets	(5,280)	(291)	(5,571)
Accounts payable	(1,867)	1,012	(855)
Deferred revenue	2,778	(201)	2,577
Deferred rent	(468)	468	—
Accrued expenses and other current liabilities	(2,065)	(368)	(2,433)
Operating lease liability	(229)	(468)	(697)
Net cash used in operating activities	(35,867)	6,437	(29,430)
Cash flows from investing activities:			
Development of internal-use software	(646)	(82)	(728)
Purchases of property and equipment	(323)	(6,366)	(6,689)
Net cash used in investing activities	(969)	(6,448)	(7,417)
Cash flows from financing activities:			
Proceeds from exercise of stock options	216	11	227
Net cash provided by financing activities	216	11	227
Net increase (decrease) in cash, cash equivalents and restricted cash	(36,620)	—	(36,620)
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period	308,167	—	308,167
Cash, cash equivalents and restricted cash at end of period	$ 271,547	$ —	$ 271,547
Supplemental disclosure of non-cash activities			
Transfer of inventory to property and equipment	$ 4,620	$ (4,620)	$ —
Capital expenditures incurred but not yet paid	1,693	698	2,391

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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	Year Ended December 31, 2021		
	As Previously Reported	Adjustment	As Revised
Cash flows from operating activities:			
Net loss	$ (10,858)	$ (30)	$ (10,888)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,895	—	2,895
Write-off of inventory	2,132	—	2,132
Adjustment to property and equipment for sales type leases	(91)	—	(91)
Loss from impairment of property and equipment	1,869	—	1,869
Loss on disposal of property and equipment	617	—	617
Stock-based compensation	8,511	1,085	9,596
Non-cash interest expense	5,245	—	5,245
Provision recorded for allowance for doubtful accounts	(13)	—	(13)
Loss on extinguishment of debt	12,685	—	12,685
Change in fair value of derivative liability	1,745	—	1,745
Change in fair value of common stock warrant liability	879	—	879
Change in fair value of earn-out liability	(46,212)	(1,148)	(47,360)
Change in fair value of contingently issuable common stock	(6,406)	—	(6,406)
Change in fair value of public warrant liability	(12,606)	—	(12,606)
Changes in operating assets and liabilities			
Accounts receivable	(5,063)	—	(5,063)
Inventory	(17,479)	14,043	(3,436)
Commission assets	(3,072)	—	(3,072)
Contract assets	(4,877)	—	(4,877)
Other assets	—	32	32
Prepaid expenses and other current assets	(10,079)	931	(9,148)
Accounts payable	(7)	772	765
Deferred revenue	4,968	(136)	4,832
Deferred rent	457	—	457
Warranty reserve	(42)	—	(42)
Accrued expenses and other current liabilities	5,174	(2,702)	2,472
Net cash used in operating activities	(69,628)	12,847	(56,781)
Cash flows from investing activities:			
Development of internal-use software	(1,028)	—	(1,028)
Purchases of property and equipment	(3,710)	(12,847)	(16,557)
Net cash used in investing activities	(4,738)	(12,847)	(17,585)
Cash flows from financing activities:			
Proceeds from exercise of stock options	915	—	915
Proceeds from issuance of common stock from the PIPE Investment	300,000	—	300,000
Proceeds from the closing of the Merger	84,945	—	84,945
Payment of offering costs from the closing of the Merger and PIPE Investment	(34,132)	—	(34,132)
Repayment of financing obligations	(359)	—	(359)
Proceeds from long-term debt, net of issuance costs	31,882	—	31,882
Repayment of principal on long-term debt	(5,422)	—	(5,422)
Net cash provided by financing activities	377,829	—	377,829
Net increase (decrease) in cash, cash equivalents and restricted cash	303,463	—	303,463
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period	4,704	—	4,704
Cash, cash equivalents and restricted cash at end of period	$ 308,167	$ —	$ 308,167
Supplemental disclosure of non-cash activities			
Transfer of inventory to property and equipment	$ 12,949	$ (12,949)	$ —
Capital expenditures incurred but not yet paid	347	2,589	2,936
Issuance of equity classified warrants	1	(1)	—

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Deferred offering costs included in accounts payable	1,932	11	1,943
Conversion of convertible preferred stock to common stock	75,877	—	75,877
Initial fair value of contingent earn-out liability recognized in connection with the closing of the Merger	67,021	—	67,021
Initial fair value of contingently issuable common stock liability recognized in connection with the closing of the Merger	11,670	—	11,670
Conversion of common stock warrants to common stock in connection with the closing of the Merger	880	—	880
Initial fair value of public warrants in connection with the closing of the Merger	23,636	—	23,636

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Nine Months Ended September 30, 2021		
	As Previously Reported	Adjustment	As Revised
Cash flows from operating activities:			
Net loss	$ (13,375)	$ (2,301)	$ (15,676)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,948	—	1,948
Write-off of inventory	400	—	400
Loss from impairment of property and equipment	1,656	—	1,656
Loss on disposal of property and equipment	659	—	659
Stock-based compensation	4,013	2,019	6,032
Non-cash interest expense	5,561	—	5,561
Provision recorded for allowance for doubtful accounts	(63)	—	(63)
Loss on extinguishment of debt	12,685	—	12,685
Change in fair value of derivative liability	1,745	—	1,745
Change in fair value of common stock warrant liability	879	—	879
Change in fair value of earn-out liability	(31,818)	(791)	(32,609)
Change in fair value of contingently issuable common stock	(5,718)	—	(5,718)
Change in fair value of public warrant liability	(3,152)	—	(3,152)
Changes in operating assets and liabilities			
Accounts receivable	(5,866)	—	(5,866)
Inventory	(10,836)	10,100	(736)
Commission assets	(1,102)	—	(1,102)
Contract assets	(2,582)	(895)	(3,477)
Other assets	—	23	23
Prepaid expenses and other current assets	(12,772)	1,237	(11,535)
Accounts payable	2,264	(2,024)	240
Deferred revenue	2,459	(107)	2,352
Deferred rent	397	—	397
Warranty reserve	(42)	—	(42)
Accrued expenses and other current liabilities	2,183	651	2,834
Net cash used in operating activities	(50,477)	7,912	(42,565)
Cash flows from investing activities:			
Purchases of property and equipment	(3,082)	(7,912)	(10,994)
Net cash used in investing activities	(3,082)	(7,912)	(10,994)
Cash flows from financing activities:			
Proceeds from exercise of stock options	777	—	777
Proceeds from issuance of common stock from the PIPE Investment	300,000	—	300,000
Proceeds from the closing of the Merger	84,945	—	84,945
Payment of offering costs from the closing of the Merger and PIPE Investment	(33,968)	—	(33,968)
Repayment of financing obligations	(359)	—	(359)
Proceeds from long-term debt, net of issuance costs	31,882	—	31,882
Net cash provided by financing activities	383,277	—	383,277
Net increase (decrease) in cash, cash equivalents and restricted cash	329,718	—	329,718
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period	4,704	—	4,704
Cash, cash equivalents and restricted cash at end of period	$ 334,422	$ —	$ 334,422
Supplemental disclosure of non-cash activities			
Transfer of inventory to property and equipment	$ 9,648	$ (9,648)	$ —
Capital expenditures incurred but not yet paid	—	3,123	3,123
Deferred offering costs included in accounts payable	1,760	10	1,770
Conversion of convertible preferred stock to common stock	75,877	—	75,877
Initial fair value of contingent earn-out liability recognized in connection with the closing of the Merger	66,845	176	67,021

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Initial fair value of contingently issuable common stock liability recognized in connection with the closing of the Merger	11,670	—	11,670
Conversion of common stock warrants to common stock in connection with the closing of the Merger	880	—	880
Initial fair value of public warrants in connection with the closing of the Merger	23,636	—	23,636

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Six Months Ended June 30, 2021		
	As Previously Reported	Adjustment	As Revised
Cash flows from operating activities:			
Net loss	$ (36,126)	$ (357)	$ (36,483)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,102	—	1,102
Stock-based compensation	1,617	(241)	1,376
Non-cash interest expense	5,455	—	5,455
Provision recorded for allowance for doubtful accounts	(63)	—	(63)
Loss on extinguishment of debt	11,820	—	11,820
Change in fair value of derivative liability	2,220	—	2,220
Change in fair value of common stock warrant liability	921	—	921
Changes in operating assets and liabilities			
Accounts receivable	(1,335)	—	(1,335)
Inventory	(1,173)	720	(453)
Commission assets	(742)	—	(742)
Contract assets	(239)	—	(239)
Other assets	—	13	13
Prepaid expenses and other current assets	(7,495)	208	(7,287)
Accounts payable	5,361	(1,862)	3,499
Deferred revenue	253	(100)	153
Deferred rent	152	—	152
Warranty reserve	(42)	—	(42)
Accrued expenses and other current liabilities	1,360	281	1,641
Net cash used in operating activities	(16,954)	(1,338)	(18,292)
Cash flows from investing activities:			
Purchases of property and equipment	(9,292)	1,338	(7,954)
Net cash used in investing activities	(9,292)	1,338	(7,954)
Cash flows from financing activities:			
Proceeds from exercise of stock options	657	—	657
Repayment of financing obligations	(359)	—	(359)
Proceeds from long-term debt, net of issuance costs	31,882	—	31,882
Net cash provided by financing activities	32,180	—	32,180
Net increase (decrease) in cash, cash equivalents and restricted cash	5,934	—	5,934
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period	4,704	—	4,704
Cash, cash equivalents and restricted cash at end of period	$ 10,638	$ —	$ 10,638
Supplemental disclosure of non-cash activities			
Transfer of inventory to property and equipment	$ 46	$ —	$ 46
Capital expenditures incurred but not yet paid	—	2,962	2,962
Capitalization of stock compensation	—	27	27

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Three Months Ended March 31, 2021		
	As Previously Reported	Adjustment	As Revised
Cash flows from operating activities:			
Net loss	$ (13,755)	$ 249	$ (13,506)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	452	—	452
Stock-based compensation	1,082	(773)	309
Non-cash interest expense	2,344	—	2,344
Provision recorded for allowance for doubtful accounts	(63)	—	(63)
Change in fair value of derivative liability	1,425	—	1,425
Change in fair value of common stock warrant liability	736	—	736
Changes in operating assets and liabilities			
Accounts receivable	(874)	—	(874)
Inventory	(433)	(47)	(480)
Commission assets	(391)	—	(391)
Contract assets	(119)	—	(119)
Other assets	—	7	7
Prepaid expenses and other current assets	(4,104)	377	(3,727)
Accounts payable	1,194	(235)	959
Deferred revenue	(621)	(185)	(806)
Deferred rent	(11)	—	(11)
Accrued expenses and other current liabilities	1,100	206	1,306
Net cash used in operating activities	(12,038)	(401)	(12,439)
Cash flows from investing activities:			
Purchases of property and equipment	(2,522)	401	(2,121)
Net cash used in investing activities	(2,522)	401	(2,121)
Cash flows from financing activities:			
Proceeds from exercise of stock options	455	—	455
Repayment of financing obligations	(359)	—	(359)
Proceeds from long-term debt, net of issuance costs	31,882	—	31,882
Net cash provided by financing activities	31,978	—	31,978
Net increase (decrease) in cash, cash equivalents and restricted cash	17,418	—	17,418
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period	4,704	—	4,704
Cash, cash equivalents and restricted cash at end of period	$ 22,122	$ —	$ 22,122
Supplemental disclosure of non-cash activities			
Capital expenditures incurred but not yet paid	—	1,335	1,335
Issuance of equity classified warrants	1	—	1

EVOLV TECHNOLOGIES HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Year Ended December 31, 2020		
	As Previously Reported	Adjustment	As Revised
Cash flows from operating activities:			
Net loss	$ (27,392)	$ (1,035)	$ (28,427)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,065	—	1,065
Stock-based compensation	662	917	1,579
Non-cash interest expense	25	—	25
Provision recorded for allowance for doubtful accounts	47	—	47
Loss on extinguishment of debt	66	—	66
Changes in operating assets and liabilities			
Accounts receivable	(464)	—	(464)
Inventory	(1,471)	1,156	(315)
Commission assets	(1,785)	—	(1,785)
Other assets	—	(173)	(173)
Prepaid expenses and other current assets	(375)	(641)	(1,016)
Accounts payable	1,915	(1,100)	815
Deferred revenue	2,341	45	2,386
Deferred rent	(34)	—	(34)
Warranty reserve	(14)	—	(14)
Accrued expenses and other current liabilities	2,160	483	2,643
Operating lease liability	—	—	—
Net cash used in operating activities	(23,254)	(348)	(23,602)
Cash flows from investing activities:			
Purchases of property and equipment	(6,609)	348	(6,261)
Net cash used in investing activities	(6,609)	348	(6,261)
Cash flows from financing activities:			
Proceeds from issuance of Series B-1 convertible preferred stock, net of issuance costs	2,994	—	2,994
Proceeds from exercise of stock options	442	—	442
Repayment of financing obligations	(244)	—	(244)
Proceeds from long-term debt, net of issuance costs	22,438	—	22,438
Repayment of principal on long-term debt	(8,404)	—	(8,404)
Net cash provided by financing activities	17,226	—	17,226
Net increase (decrease) in cash, cash equivalents and restricted cash	(12,637)	—	(12,637)
Cash, cash equivalents and restricted cash			
Cash, cash equivalents and restricted cash at beginning of period	17,341	—	17,341
Cash, cash equivalents and restricted cash at end of period	$ 4,704	$ —	$ 4,704
Supplemental disclosure of non-cash activities			
Transfer of inventory to property and equipment	$ 86	$ —	$ 86
Capital expenditures incurred but not yet paid	—	1,100	1,100
Issuance of equity classified warrants	112	—	112
Issuance of a nonrecourse promissory note with officer	350	—	350

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K"). This discussion contains forward-looking statements based upon current plans, expectations and beliefs involving risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" section of our 2021 Form 10-K and in other parts of this Quarterly Report on Form 10-Q.

In preparing the condensed consolidated financial statements as of and for the three and six months ended June 30, 2022, we identified immaterial errors in our previously issued financial statements. We have corrected the amounts as presented in this Item 2 accordingly. Please refer to Notes 1 and 21 to the financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

On July 16, 2021, we consummated the business combination (the "Merger"), contemplated by the Agreement and Plan of Merger, dated March 5, 2021, with NHIC Sub Inc. ("Merger Sub"), a wholly-owned subsidiary of NewHold Investment Corp. ("NHIC"), a special purpose acquisition company, which is our legal predecessor, and Evolv Technologies, Inc. dba Evolv Technology, Inc. ("Legacy Evolv"), as amended by that certain First Amendment to Agreement and Plan of Merger dated June 5, 2021 by and among NHIC, Merger Sub and Legacy Evolv (the "Amendment" and as amended, the "Merger Agreement"). Pursuant to the Merger Agreement, Merger Sub was merged with and into Legacy Evolv, with Legacy Evolv surviving the merger as a wholly owned subsidiary of NHIC. Upon the closing of the Merger, NHIC changed its name to Evolv Technologies Holdings, Inc. Evolv Technologies Holdings, Inc. became the successor entity to NHIC.

As used in this Quarterly Report on Form 10-Q, unless otherwise indicated or the context otherwise requires, references to "we," "us," "our," the "Company" and "Evolv" refer to the consolidated operations of Evolv Technologies Holdings, Inc. and its subsidiaries. References to "NHIC" refer to the company prior to the consummation of the Merger and references to "Legacy Evolv" refer to Evolv Technologies, Inc. dba Evolv Technology, Inc. prior to the consummation of the Merger.

Business Overview

We are a global leader in AI-based weapons detection for security screening. Unlike conventional walk-through metal detectors, our products use advanced sensors, artificial intelligence software, and cloud services to reliably detect guns, improvised explosives, and large knives while ignoring harmless items like phones and keys. This not only enhances security at venues and facilities but also improves the visitor experience by making screening up to ten times faster than alternatives at up to 70% lower total cost.

Our products have screened over 425 million visitors worldwide since our inception. We believe that we have screened more people through advanced systems than any organization other than the United States Transportation Security Administration ("TSA"). Our customers include many iconic venues across a wide variety of industries, including major sports stadiums and arenas, notable performing arts and entertainment venues, major tourist destinations and cultural attractions, large industrial workplaces, schools in large districts, and prominent houses of worship. We offer our products for lease or purchase, and utilize a multi-year security-as-a-service subscription pricing model that delivers ongoing value to customers, generates predictable revenue, and creates expansion and upsell opportunities.

Our mission is to make the world a safer and more enjoyable place to live, work, study, and play. We are focused on delivering value in the spaces in and around the physical threshold of large venues and facilities. We believe that digitally transforming the threshold experience is one of the most exciting innovation opportunities of our time. We believe that our ongoing innovations will not only make venues and facilities safer and more enjoyable, but also more efficient and profitable.

Since our inception, we have incurred significant operating losses. Our ability to generate revenue and achieve cost improvements sufficient to achieve profitability will depend on the successful further development and commercialization of our products. We generated revenue of $16.5 million and $8.4 million for the three months ended September 30, 2022 and 2021, respectively. We generated net income (loss) of $(18.6) million and $20.8 million for the three months ended September 30, 2022 and 2021, respectively. We expect to continue to incur operating losses as we focus on growing and establishing recurring commercial sales of our products, including growing our sales and marketing teams, scaling our manufacturing operations, and continuing research and development efforts to develop new products and further enhance our existing products.

Because of the numerous risks and uncertainties associated with product development and commercialization, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve or maintain profitability. Until such time, if ever, as we can generate substantial revenue sufficient to achieve profitability, we expect to finance our operations through a combination of equity offerings and debt financings. In July 2021, we received gross proceeds of $300.0 million from our PIPE Investment as well as $84.9 million in proceeds, net of redemptions received from the closing of the Merger. However, we may be unable to raise additional funds or enter into such other agreements or arrangements when needed on favorable terms, or at all. If we are unable to raise capital or enter into such agreements as, and when, needed, we may have to significantly delay, scale back or discontinue the further development and commercialization efforts of one or more of our products, or may be forced to reduce or terminate our operations. See "Liquidity and Capital Resources."

NewHold Investment Corporation Merger

On July 16, 2021, we completed the previously announced Merger, pursuant to the Agreement and Plan of Merger, dated as of March 5, 2021, and amended by the First Amendment to Agreement and Plan of Merger (the "Merger Agreement"), dated as of June 5, 2021. Upon the closing of the Merger, NHIC changed its name to Evolv Technologies Holdings, Inc. and the officers of NHIC, the legal predecessor company, resigned. The officers of Legacy Evolv became the officers of the Company, and the Company listed its shares of common stock, par value $0.0001 per share, on Nasdaq under the symbol "EVLV".

Prior to the completion of the Merger, we entered into subscription agreements (collectively, the "PIPE Investment") with certain parties subscribing for shares of our common stock (the "Subscribers"). Pursuant to the PIPE Investment, we issued 30,000,000 shares of common stock for a purchase price of $10.00 per share with gross proceeds of $300.0 million. The purpose of the PIPE Investment was to fund general corporate expenses.

Upon the closing of the Merger, each share of NHIC Class B common stock issued and outstanding immediately prior to the effective time of the Merger, which totaled 10,391,513 shares held by the NHIC Initial Shareholders ("Initial Shareholders"), was automatically converted into one validly-issued share of our common stock.

Additional information regarding the Merger Agreement appears in Note 3 of our condensed consolidated financial statements for the three and nine months ended September 30, 2022.

COVID-19

We have taken, and will continue to take, actions to mitigate the impact of the COVID-19 pandemic on our cash flow and results of operations and financial condition. While we have experienced supply chain challenges during the three and nine months ended September 30, 2022, we have taken steps to prioritize product availability and diversify our supply partners. In the long-term, we believe that the COVID-19 pandemic may encourage organizations to continue to reassess their security screening processes and may continue to accelerate their adoption of solutions such as touchless security screening, which could create additional demand for our products.

Additional information regarding COVID-19 risks appear in the "Risk Factors" section of our 2021 Form 10-K.

Key Factors Affecting Our Operating Results

We believe that our performance and future success depend on many factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the "Risk Factors" section of our 2021 Form 10-K, as updated by the "Risk Factors" section in this Quarterly Report on Form 10-Q. We expect that our results of operations, including our revenue and cost of revenue, may fluctuate or continue to fluctuate based on, among other things, the impact of rising inflation rates on business spending; supply chain issues and the impacts on our manufacturing capabilities; the continued effects of the COVID-19 pandemic and other public health emergencies; the military conflict between Russia and Ukraine and related geopolitical impacts; and a possible economic recession. While these factors continue to evolve, we plan to remain flexible and to optimize our business as appropriate and allocate resources as necessary.

Adoption of our Security Screening Products

We believe the world will continue to focus on the safety and security of people in the places where they gather. Many of these locations, such as professional sports venues, educational institutions, and healthcare facilities, are moving toward a more frictionless security screening experience. We believe that we are well-positioned to take advantage of this opportunity due to our proprietary technologies and global distribution capabilities. Our products are designed to empower venues and facilities to realize the full benefits of touchless security screening, including a rapid visitor throughput and minimal security staff to screened visitor physical contact. We expect that our results of operations, including revenue, will fluctuate for the foreseeable future as venues and facilities continue to shift away from conventional security screening processes towards touchless security screening or consider security screening processes for the first time. The degree to which potential and current customers recognize these benefits and invest in our products will affect our financial results.

Pricing, Product Cost and Margins

Revenue generated by the sale of products represented 60% and 64% of our total revenue for the three months ended September 30, 2022 and 2021, respectively. The remaining revenue was generated from subscription sales and services for our products. Going forward, we expect our products to be adopted in a variety of vertical industry markets and geographic regions, primarily within the United States. With the further recent development, enhancement, and maintenance of our analytics platform, which we refer to as Evolv Insights, as well as our plan to lead increasingly with our subscription offering, we expect subscription revenue as a percentage of total revenue to increase in future periods.

Pricing may also vary by region due to market-specific dynamics. As a result, our financial performance depends, in part, on the mix of sales, bookings, and business in different markets during a given period. In addition, we are subject to price competition, and our ability to compete in key markets will depend on the success of our investments in new technologies and cost improvements as well as our ability to efficiently and reliably introduce cost-effective touchless security screening products to our customers.

Continued Investment and Innovation

We believe that we are a global leader in AI-based weapons detection for security screening, offering transformative technologies that enable higher throughput, a more frictionless visitor experience, and substantial cost savings through our product innovations. Our performance is significantly dependent on the investment we make in our research and development efforts and on our ability to be at the forefront of the security screening industry. It is essential that we continually identify and respond to rapidly evolving customer requirements, develop and introduce innovative new products, enhance existing products and generate customer demand for our products. We believe that investment in our security screening products will contribute to long-term revenue growth, but it may adversely affect our near-term profitability.

Contingent Earn-out Shares

In connection with the Merger and pursuant to the Merger Agreement, certain of the Legacy Evolv shareholders and Legacy Evolv Service Providers are entitled to receive additional shares of the Company’s common stock (the “Earn-Out Shares”) upon the Company achieving certain milestones.

The Earn-Out Shares are classified as liabilities in our condensed consolidated balance sheets and were initially measured at fair value. Each reporting period, the Earn-Out Shares are remeasured and changes in the fair value of the contingent earn-out are recorded in other income (expense), net in our condensed consolidated statements of operations and comprehensive loss. When the Triggering Events have been achieved and the Earn-Out Shares are issued, the Company will reclassify the corresponding amount from a liability to additional paid-in-capital and common stock at par value of $0.0001 per share.

Additional information regarding Contingent Earn-out Shares vesting provisions and accounting treatment appear in Note 2 of our consolidated financial statements for the year ended December 31, 2021 of our Annual Report on Form 10-K.

Contingently Issuable Common Stock

Prior to the Merger, certain NHIC shareholders owned 4,312,500 Founder Shares. 1,897,500 shares vested at the closing of the Merger, 517,500 shares were transferred back to NHIC and then contributed to Give Evolv LLC. The remaining 1,897,500 outstanding shares shall vest upon the Company achieving certain milestones.

The Founders Shares (the “Contingently Issuable Common Stock”) are classified as liabilities in our condensed consolidated balance sheets and were initially measured at fair value. Each reporting period, the Founders Shares are remeasured and changes in the fair value of the contingently issuable common stock are recorded in other income (expense), net in our condensed consolidated statements of operations and comprehensive loss. When the Triggering Events have been achieved and the Founders Shares are issued, the Company will reclassify the corresponding amount from a liability to additional paid-in-capital and common stock at par value of $0.0001 per share.

Additional information regarding Contingently Issuable Common Stock vesting provisions and accounting treatment appear in Note 2 of our consolidated financial statements for the year ended December 31, 2021 of our Annual Report on Form 10-K.

Components of Results of Operations

Revenue

We derive revenue from (1) subscription arrangements generally accounted for as operating leases, (2) from the sale of products, inclusive of SaaS and maintenance, and (3) professional services. Our arrangements are generally noncancelable and nonrefundable after ownership passes to the customer for product sales and upon installation for subscriptions. Revenue is recognized net of sales tax.

Product Revenue

We derive a portion of our revenue from the sale of our Express equipment (and prior to 2022, our Edge equipment) and related add-on accessories to customers. Revenue is recognized when control of the product has transferred to the customer, which follows the terms of each contract. We expect product revenue to decline as a percentage of our overall revenue overtime as more and more customers enter full subscription transactions with us and as our subscription becomes more valuable to our business.

Subscription Revenue

Subscription revenue is comprised of revenue derived from leasing Express and Edge units to our customers. Lease terms are typically four years and customers generally pay either a quarterly or annual fixed payment for the lease and maintenance elements over the contractual lease term. Equipment leases are generally classified as operating leases as they do not meet any of the sales-type lease criteria per ASC 842 and recognized ratably over the duration of the lease. There are no contingent lease payments as a part of these arrangements.

Generally, lease arrangements include both lease and non-lease components. The non-lease components relate to (1) distinct services, such as SaaS, maintenance, installation and training, and (2) any add-on accessories. Installation and training are included in service revenue as described below, and add-on accessories are included in product revenue as described above. Because the equipment, SaaS, and maintenance components of a subscription arrangement are recognized as revenue over the same time period and in the same pattern, the equipment lease and SaaS/maintenance performance obligations are classified as a single category of subscription revenue in our condensed consolidated statements of operations and comprehensive loss.

Services Revenue

We provide SaaS, maintenance, installation and training services for our products. Revenue for installation and training are recognized upon transfer of control of these services, which are normally rendered over a short duration. Maintenance consists of technical support, bug fixes and when-and-if available threat updates. SaaS and maintenance revenue is recognized ratably over the period of the arrangement.

Cost of Revenue

We recognize cost of revenue in the same manner that the related revenue is recognized.

Cost of Product Revenue

Cost of product revenue consists primarily of costs paid to third party manufacturers, labor costs (including stock-based compensation), and shipping costs.

Cost of Subscription Revenue

Cost of subscription revenue consists primarily of shipping costs, an allocated portion of internal-use software amortization expense related to the Evolv cloud portal, depreciation expense related to leased units, and maintenance costs related to leased units. Maintenance costs consist primarily of labor (including stock-based compensation), spare parts, shipping costs, field service repair costs, equipment, and supplies.

Cost of Services Revenue

Cost of services revenue consists of costs related to installation and training services, an allocated portion of internal-use software amortization expense related to the Evolv cloud portal, and maintenance costs related to units purchased by customers. Maintenance costs consists primarily of labor (including stock-based compensation), spare parts, shipping costs, field service repair costs, equipment, and supplies.

A provision for the estimated cost related to warranty is recognized as necessary. Our estimate of costs to service the warranty obligations is based on historical experience and expectations of future conditions. As of September 30, 2022, the warranty accrual was less than $0.1 million.

Gross Profit and Gross Margin

Our gross profit is calculated based on the difference between our revenues and cost of revenues. Gross margin is the percentage obtained by dividing gross profit by our revenue. Our gross profit and gross margin are, or may be, influenced by a number of factors, including:

- Market conditions that may impact our pricing;
- Product mix changes between established products and new products;
- Our cost structure for manufacturing operations, including contract manufacturers, relative to volume, and our product support obligations;
- Our ability to maintain our costs on the components that go into the manufacture of our product; and
- Write-offs of inventory.

We expect our gross margins to fluctuate over time, depending on the factors described above.

Research and Development

Our research and development expenses represent costs incurred to support activities that advance the development of innovative security screening technologies, new product platforms, as well as activities that enhance the capabilities of our existing product platforms. Our research and development expenses consist primarily of salaries and bonuses, employee benefits, stock-based compensation, prototypes, design expenses, and consulting and contractor costs. We expect research and development costs will increase on an absolute dollar basis for the year ended December 31, 2022 compared to the year ended December 31, 2021 as we continue to invest in advancing our portfolio of security screening products.

Sales and Marketing

Sales and marketing expenses consist primarily of personnel-related expenses associated with our sales and marketing, customer success, business development, and strategy functions, as well as costs related to trade shows and events, and stock-based compensation. We expect our sales and marketing costs will increase on an absolute dollar basis for the year ended December 31, 2022 compared to the year ended December 31, 2021 as we expand our headcount and initiate new marketing campaigns.

General and Administrative

General and administrative expenses consist primarily of personnel-related expenses associated with our executive, finance, investor relations, legal, information technology, and human resources functions, as well as professional fees for legal, audit, accounting and other consulting services, stock-based compensation, and sales tax contingencies. We expect our general and administrative expenses will increase on an absolute dollar basis for the year ended December 31, 2022 compared to the year ended December 31, 2021 as a result of operating as a public company, including expenses necessary to comply with the rules and regulations applicable to companies listed on a national securities exchange and related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, as well as increased expenses for general and director and officer insurance, and other administrative and professional services. In addition, we expect to incur additional costs as we hire additional personnel and enhance our infrastructure to support the anticipated growth of the business.

Loss From Impairment of Property and Equipment

Impairment of property and equipment relates to Edge units and Express prototype units that are removed from service and retired as we transition our domestic customers to our most current Express units.

Interest Expense

Interest expense includes cash interest paid on our long-term debt and amortization of deferred financing fees and costs.

Interest Income

Interest income relates to interest earned on money market funds and interest earned on our lease receivables for our Evolv Express units.

Change in Fair Value of Derivative Liability

In August through September 2019 and in September 2020, we issued Convertible Notes to several investors (the “2020 Convertible Notes”) that provided a conversion option whereby upon the closing of a specified financing event the notes would automatically convert into shares of the same class and series of our capital stock issued to other investors in the financing at a conversion price equal to 85% and 80%, respectively, of the price per share of the securities paid by the other investors. This conversion option was determined to be an embedded derivative that was required to be bifurcated and accounted for separately from the notes. The derivative liability was initially recorded at fair value upon issuance of the notes and is subsequently remeasured to fair value at each reporting date. Changes in the fair value of the derivative liability are recognized in the condensed consolidated statements of operations and comprehensive loss. In October 2019, the specified financing event was consummated, as such the 2020 Convertible Notes issued August through September 2019 were converted into shares of Series B-1 Preferred Stock and the derivative liability was extinguished.

In January and February 2021, we entered into a Convertible Note Purchase Agreement (the “2021 Convertible Notes”) with various investors for gross proceeds of $30.0 million with a stated interest rate of 8.0% per annum. The 2021 Convertible Notes provided a conversion option whereby upon the closing of a Qualified Financing event, in which the aggregate gross proceeds totaled at least $100.0 million, the 2021 Convertible Notes would automatically convert into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors. The conversion option met the definition of an embedded derivative and was required to be bifurcated and accounted for separately from the notes. The proceeds from the 2021 Convertible Notes were allocated between the derivative liability and included in long-term liabilities on the Company’s condensed consolidated balance sheet. The difference between the initial carrying value of the notes and the stated value of the notes represented a discount that was accreted to interest expense over the term of the Convertible Notes using the effective interest method.

In June 2021, we modified the 2021 Convertible Notes to grant the holders an additional 1,000,000 shares of NHIC common stock as further consideration upon the automatic conversion of the notes upon closing of the Merger. The modification of the 2021 Convertible Notes resulted in the recognition of a derivative liability for the fair value of the 1,000,000 NHIC shares as of June 21, 2021 as well as a bifurcated embedded derivative for conversion feature into shares of the same class and series of capital stock of the Company issued to other investors in the financing at a conversion price equal to 80% of the price per share paid by the other investors.

Upon the closing of the Merger, the Convertible Notes automatically converted into 4,408,672 shares of the Company's common stock and the holders of the 2021 Convertible Notes also received 1,000,000 shares of the Company's common stock, as noted above. Upon the conversion of the Convertible Notes, the carrying value of the debt of $32.8 million, and the related derivative liability of $19.7 million and accrued interest of $0.2 million were derecognized resulting in a loss on extinguishment of debt of $0.9 million recorded in other income (expense), net in the condensed consolidated statements of operations and comprehensive loss.

Change in Fair Value of Contingent Earn-out Liability

In connection with the Merger and pursuant to the Merger Agreement, certain of Legacy Evolv's initial shareholders are entitled to receive additional shares of our common stock upon us achieving certain milestones. The earn-out arrangement with the Legacy Evolv shareholders is accounted for as a liability and subsequently remeasured at each reporting date with changes in fair value recorded as a component of other income (expense), net in the condensed consolidated statements of operations and comprehensive loss.

Change in Fair Value of Contingently Issuable Common Stock Liability

Prior to the Merger, certain NHIC shareholders owned 4,312,500 shares of Founder Shares. 1,897,500 shares vested at the closing of the Merger, 1,897,500 shares shall vest upon us achieving certain milestones and 517,500 shares were contributed to Give Evolv LLC. Those 1,897,500 outstanding contingently issuable common shares are accounted for as a liability and subsequently remeasured at each reporting date with changes in fair value recorded as a component of other income (expense), net in the condensed consolidated statements of operations and comprehensive loss.

Change in Fair Value of Public Warrant Liability

In connection with the closing of the Merger, the Company assumed a warrant to purchase shares of common stock (the "Public Warrants"). We assessed the features of these warrants and determined that they qualify for classification as a liability. Accordingly, we recorded the warrants at fair value upon the closing of the Merger with the offset to additional paid-in capital.

Change in Fair Value of Common Stock Warrant Liability

We classify certain warrants for the purchase of shares of our common stock as a liability on our condensed consolidated balance sheets as these warrants are freestanding financial instruments that may require us to adjust the exercise price and number of shares that is not consistent with a fixed-for-fixed option pricing model. The warrant liability is initially recorded at fair value on the issuance date of each warrant and is subsequently remeasured to fair value at each reporting date. Changes in the fair value of the common stock warrant liability are recognized as a component of other income (expense), net in the condensed consolidated statements of operations and comprehensive loss. Changes in fair value of the common stock warrant liability will continue to be recognized until the warrants are exercised, expire or qualify for equity classification. In connection with the closing of the Merger, all common stock warrants that were issued prior to the closing of the Merger were converted into shares of the Company's common stock.

Income Taxes

Our income tax provision consists of an estimate for U.S. federal and state income taxes based on enacted rates, as adjusted for allowable credits, deductions, uncertain tax positions, changes in deferred tax assets and liabilities and changes in tax law. There is no provision for income taxes for the three and nine months ended September 30, 2022 and 2021 because we have historically incurred net operating losses and maintain a full valuation allowance against its deferred tax assets.

Results of Operations

Comparison of the Three Months Ended September 30, 2022 and 2021

The following table summarizes our results of operations for the three months ended September 30, 2022 and 2021, (in thousands):

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Revenue:				
Product revenue	$ 9,839	$ 5,395	$ 4,444	82 %
Subscription revenue	5,198	2,312	2,886	125
Service revenue	1,493	717	776	108
Total revenue	16,530	8,424	8,106	96
Cost of revenue:				
Cost of product revenue	12,960	2,967	9,993	337
Cost of subscription revenue	2,207	1,277	930	73
Cost of service revenue	1,138	713	425	60
Total cost of revenue	16,305	4,957	11,348	229
Gross profit	225	3,467	(3,242)	(94)
Operating expenses:				
Research and development	5,616	3,612	2,004	55
Sales and marketing	11,746	10,024	1,722	17
General and administrative	8,839	7,535	1,304	17
Loss from impairment of property and equipment	626	1,656	(1,030)	(62)
Total operating expenses	26,827	22,827	4,000	18
Loss from operations	(26,602)	(19,360)	(7,242)	37
Other income (expense), net:				
Interest expense	(188)	(295)	107	(36)
Interest income	1,052	—	1,052	*
Other expense, net	(57)	(669)	612	(91)
Loss on extinguishment of debt	—	(865)	865	*
Change in fair value of derivative liability	—	475	(475)	*
Change in fair value of contingent earn-out liability	7,245	32,609	(25,364)	(78)
Change in fair value of contingently issuable common stock liability	1,081	5,718	(4,637)	(81)
Change in fair value of public warrant liability	(1,146)	3,152	(4,298)	(136)
Change in fair value of common stock warrant liability	—	42	(42)	*
Total other income (expense), net	7,987	40,167	(32,180)	(80)
Net income (loss) attributable to common stockholders – basic	$ (18,615)	$ 20,807	$ (39,422)	(189)%

* – Not meaningful

Revenue, Cost of Revenue and Gross Profit

Product Revenue

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	$ Change	% Change
Product revenue	$ 9,839	$ 5,395	$ 4,444	82 %
Cost of product revenue	$ 12,960	$ 2,967	$ 9,993	337 %
Gross profit - Product revenue	$ (3,121)	$ 2,428	$ (5,549)	(229)%
Gross profit margin - Product revenue	(32)%	45 %	N/A	(77)%

The increases in product revenue and cost of product revenue are primarily due to the increase in product sales of Evolv Express units, which include the significant increase in the adoption of Evolv Express units by schools, healthcare facilities, hotels, casinos, and professional sports arenas. We believe there are several key trends driving increased adoption of our solutions and growth in our product sales, including (i) escalating gun violence, which has created stronger demand for security screening solutions for customers and prospects in our key vertical markets, (ii) acceleration in our customer acquisition activities as highlighted by the addition of 92 new customers during the three months ended September 30, 2022 compared to 23 new customers during the three months ended September 30, 2021, (iii) the expansion of our customers' initial Evolv Express deployments to other venues and locations, and (iv) growing momentum with our channel partners which helps us extend our reach in certain geographies or vertical markets.

The decrease in gross profit and gross profit margin during the three months ended September 30, 2022 compared to the prior year period is attributable to several factors. We experienced strong demand across our education and healthcare customers for single lane configurations of Evolv Express due to limitations in the lobby size typical of customers in those markets. These configurations generate lower gross profit than our dual lane configurations of Evolv Express due to a lower average sale price. Further, a higher percentage of sales were made through our channel partners, which are generally at a lower average sale price, and therefore a lower gross margin, during the three months ended September 30, 2022 compared to the prior year period. Gross profit and gross profit margin were also adversely impacted by marketing and sponsorship arrangements with certain customers, increases in shipping costs, and the costs associated with the write-off of scrap inventory incurred without corresponding revenue. We expect to see improvement in our gross margins as we continue to engineer our product with lower cost components. We also expect to see improvements in gross margin to the extent shipping costs and high demand materials costs decline when global supply chain disruptions ease.

Subscription Revenue

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	$ Change	% Change
Subscription revenue	$ 5,198	$ 2,312	$ 2,886	125 %
Cost of subscription revenue	$ 2,207	$ 1,277	$ 930	73 %
Gross profit - Subscription revenue	$ 2,991	$ 1,035	$ 1,956	189 %
Gross profit margin - Subscription revenue	58 %	45 %	N/A	13 %

The increases in subscription revenue and cost of subscription revenue are primarily due to growth in our customer base and a higher number of active Evolv Express units deployed in the preceding twelve months. The increase in gross profit is primarily driven by our increased subscription revenue. The increase in gross profit margin is primarily driven by increased recurring revenue from increased active subscriptions and customer growth.

Service Revenue

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Service revenue	$ 1,493	$ 717	$ 776	108 %
Cost of service revenue	$ 1,138	$ 713	$ 425	60 %
Gross profit - Service revenue	$ 355	$ 4	$ 351	8775 %
Gross profit margin - Service revenue	24 %	1 %	N/A	23 %

The increase in service revenue is primarily due to the increased number of purchase subscription units deployed in the preceding twelve months and increased installation and training related to the Evolv Express units. Gross profit and gross profit margin increased for the three months ended September 30, 2022 compared to the prior year period due primarily to a larger mix of service revenue being derived from purchase subscriptions, which typically generate a higher gross profit margin compared to installation and training services.

Research and Development Expenses

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Personnel related (including stock-based compensation)	$ 4,306	$ 2,992	$ 1,314	44 %
Materials and prototypes	203	93	110	118 %
Professional fees	974	443	531	120 %
Other	133	84	49	58 %
	$ 5,616	$ 3,612	$ 2,004	55 %

The increase in personnel related expenses is due to an increase in payroll costs and stock-based compensation primarily resulting from new hires in our research and development function during the past twelve months. The increase in professional fees primarily relates to consulting costs incurred for product development and engineering.

Sales and Marketing Expenses

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Personnel related (including stock-based compensation)	$ 7,820	$ 7,067	$ 753	11 %
Direct marketing	1,613	1,702	(89)	(5)%
Travel and entertainment	992	519	473	91 %
Professional fees	421	252	169	67 %
Other	900	484	416	86 %
	$ 11,746	$ 10,024	$ 1,722	17 %

The increase in personnel related expenses is due to an increase in payroll costs, commissions and stock-based compensation resulting from new hires in our sales and marketing functions during the past twelve months, which includes functions such as partner development, customer success, and other business development. The increase in travel and entertainment expense is due to an increase in travel costs for in-person sales personnel meetings and events. The increase in other expenses is primarily due to an increase in shipping costs related to demo units.

General and Administrative Expenses

	Three Months Ended September 30,			
	2022	2021	$ Change	% Change
Personnel related (including stock-based compensation)	$ 4,548	$ 2,657	$ 1,891	71 %
Professional fees	1,896	1,874	22	1 %
Director and officer insurance	894	995	(101)	(10)%
Non-income taxes	214	67	147	219 %
Other	1,287	1,942	(655)	(34)%
	$ 8,839	$ 7,535	$ 1,304	17 %

The increase in personnel related expenses is due to an increase in payroll costs and stock-based compensation resulting from expanding our administrative team during the past twelve months. The decrease in other expenses is primarily due to $0.7 million of non-capitalizable transaction costs incurred during the three months ended September 30, 2021 related to the Merger.

Loss From Impairment of Property and Equipment

Impairment of property and equipment was $0.6 million and $1.7 million for the three months ended September 30, 2022 and 2021, respectively. As we transition existing domestic customers to our current Express model, we are removing Edge units and Express prototype units from service, resulting in the impairment of the remaining economic value of such units.

Interest Expense

Interest expense was $0.2 million for the three months ended September 30, 2022, compared to $0.3 million for the three months ended September 30, 2021. The decrease was primarily due to interest expense and debt discount amortization related to the Convertible Notes during the three months ended September 30, 2021. The Convertible Notes converted to the Company’s stock upon closing of the Merger in July 2021.

Interest Income

Interest income of $1.1 million for the three months ended September 30, 2022 related primarily to interest earned on money market funds. No interest income was earned for the three months ended September 30, 2021.

Loss on Extinguishment of Debt

Loss on extinguishment of debt of $0.9 million for the three months ended September 30, 2021 related to a modification of the 2021 Convertible Notes due to an agreement with noteholders to receive an additional 1,000,000 shares of NHIC common stock as further consideration for the conversion of such notes.

Change in Fair Value of Derivative Liability

Change in fair value of the derivative liability was $0.5 million for the three months ended September 30, 2021, resulting from the settlement of the derivative liability upon the closing of the Merger.

Change in Fair Value of Contingent Earn-out Liability

Change in fair value of the contingent earn-out liability was $7.2 million and $32.6 million for the three months ended September 30, 2022 and 2021, respectively, resulting from quarterly mark-to-market adjustments. The contingent earn-out liability was established in connection with the closing of the Merger in July 2021.

Change in Fair Value of Contingently Issuable Common Stock Liability

Change in the fair value of the contingently issuable common stock liability was $1.1 million and $5.7 million for the three months ended September 30, 2022 and 2021, respectively, resulting from quarterly mark-to-market adjustments.

The contingently issuable common stock liability was established in connection with the closing of the Merger in July 2021.

Change in Fair Value of Public Warrant Liability

Change in the fair value of the public warrant liability was $(1.1) million and $3.2 million for the three months ended September 30, 2022 and 2021, respectively, resulting from quarterly mark-to-market adjustments. The public warrant liability was established in connection with the closing of the Merger in July 2021.

Change in Fair Value of Common Stock Warrant Liability

Change in the fair value of the common stock warrant liability was less than $0.1 million for the three months ended September 30, 2021, resulting from the conversion of the common stock warrant liability upon the closing of the Merger in July 2021 and mark-to-market adjustments prior to the closing of the Merger.

Comparison of the Nine Months ended September 30, 2022 and 2021

The following table summarizes our results of operations for the nine months ended September 30, 2022 and 2021, (in thousands):

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	$ Change	% Change
Revenue:				
Product revenue	$ 19,179	$ 10,279	$ 8,900	87 %
Subscription revenue	12,208	5,060	7,148	141
Service revenue	2,923	1,456	1,467	101
Total revenue	34,310	16,795	17,515	104
Cost of revenue:				
Cost of product revenue	23,513	7,386	16,127	218
Cost of subscription revenue	5,730	3,080	2,650	86
Cost of service revenue	3,392	1,685	1,707	101
Total cost of revenue	32,635	12,151	20,484	169
Gross profit	1,675	4,644	(2,969)	(64)
Operating expenses:				
Research and development	13,947	8,399	5,548	66
Sales and marketing	33,169	17,756	15,413	87
General and administrative	29,268	12,058	17,210	143
Loss from impairment of property and equipment	1,038	1,656	(618)	(37)
Total operating expenses	77,422	39,869	37,553	94
Loss from operations	(75,747)	(35,225)	(40,522)	115
Other income (expense), net:				
Interest expense	(489)	(5,952)	5,463	(92)
Interest income	1,611	—	1,611	*
Other expense, net	(57)	(669)	612	(91)%
Loss on extinguishment of debt	—	(12,685)	12,685	*
Change in fair value of derivative liability	—	(1,745)	1,745	*
Change in fair value of contingent earn-out liability	9,754	32,609	(22,855)	(70)%
Change in fair value of contingently issuable common stock liability	2,529	5,718	(3,189)	(56)%
Change in fair value of public warrant liability	4,297	3,152	1,145	36 %
Change in fair value of common stock warrant liability	—	(879)	879	*
Total other income (expense), net	17,645	19,549	(1,904)	(10)
Net income (loss) attributable to common stockholders – basic	$ (58,102)	$ (15,676)	$ (42,426)	271 %

* – Not meaningful

Revenue, Cost of Revenue and Gross Profit

Product Revenue

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Product revenue	$ 19,179	$ 10,279	$ 8,900	87 %
Cost of product revenue	$ 23,513	$ 7,386	$ 16,127	218 %
Gross profit - Product revenue	$ (4,334)	$ 2,893	$ (7,227)	(250)%
Gross profit margin - Product revenue	(23)%	28 %	N/A	(51)%

The increases in product revenue and cost of product revenue are primarily due to the increase in product sales of Evolv Express units, which include the significant increase in the adoption of Evolv Express units by schools, healthcare facilities, hotels, casinos, and professional sports arenas. We believe there are several key trends driving increased adoption of our solutions and growth in our product sales, including (i) escalating gun violence, which has created stronger demand for security screening solutions for customers and prospects in our key vertical markets, (ii) acceleration in our customer acquisition activities as highlighted by the addition of 189 new customers during the nine months ended September 30, 2022 compared to 57 new customers during the nine months ended September 30, 2021, (iii) the expansion of our customers' initial Evolv Express deployments to other venues and locations, and (iv) growing momentum with our channel partners which helps us extend our reach in certain geographies or vertical markets.

The decrease in gross profit and gross profit margin during the nine months ended September 30, 2022 compared to the prior year period is attributable to several factors. We experienced strong demand across our education and healthcare customers for single lane configurations of Evolv Express due to limitations in the lobby size typical of customers in those markets. These configurations generate lower gross profit than our dual lane configurations of Evolv Express due to a lower average sale price. Further, a higher percentage of sales were made through our channel partners, which are generally at a lower average sale price, and therefore a lower gross margin, during the nine months ended September 30, 2022 compared to the prior year period. Gross profit and gross profit margin were also adversely impacted by marketing and sponsorship arrangements with certain customers, increases in shipping costs, and the costs associated with the write-off of scrap inventory incurred without corresponding revenue. We expect to see improvement in our gross margins as we continue to engineer our product with lower cost components. We also expect to see improvements in gross margin to the extent shipping costs and high demand materials costs decline when global supply chain disruptions ease.

Subscription Revenue

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Subscription revenue	$ 12,208	$ 5,060	$ 7,148	141 %
Cost of subscription revenue	$ 5,730	$ 3,080	$ 2,650	86 %
Gross profit - Subscription revenue	$ 6,478	$ 1,980	$ 4,498	227 %
Gross profit margin - Subscription revenue	53 %	39 %	N/A	14 %

The increases in subscription revenue and cost of subscription revenue are primarily due to growth in our customer base and a higher number of active Evolv Express units deployed in the preceding twelve months. The increase in gross profit is primarily driven by our increased subscription revenue. The increase in gross profit margin is primarily driven by increased recurring revenue from increased active subscriptions and customer growth.

Service Revenue

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Service revenue	$ 2,923	$ 1,456	$ 1,467	101 %
Cost of service revenue	$ 3,392	$ 1,685	$ 1,707	101 %
Gross profit - Service revenue	$ (469)	$ (229)	$ (240)	105 %
Gross profit margin - Service revenue	(16)%	(16)%	N/A	— %

The increase in service revenue is primarily due to the increased number of purchase subscription units deployed in the preceding twelve months and increased installation and training related to the Evolv Express units. The negative gross profit and gross profit margin in each period are due primarily to field services costs associated with the Evolv Express units. We expect we will see leverage in these expense investments as we work to achieve further levels of scale.

Research and Development Expenses

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Personnel related (including stock-based compensation)	$ 11,268	$ 5,424	$ 5,844	108 %
Materials and prototypes	439	1,537	(1,098)	(71)%
Professional fees	1,706	1,023	683	67 %
Other	534	415	119	29 %
	$ 13,947	$ 8,399	$ 5,548	66 %

The increase in personnel related expenses is due to an increase in payroll costs and stock-based compensation resulting from new hires in our research and development function during the past twelve months. The decrease in materials and prototype costs is due to the transition from prototype production to standard manufacturing of the Evolv Express, which results in lower prototyping costs. The increase in professional fees primarily relates to consulting costs incurred for product development and engineering.

Sales and Marketing Expenses

	Nine Months Ended September 30,			
	2022	2021	$ Change	% Change
Personnel related (including stock-based compensation)	$ 21,433	$ 12,270	$ 9,163	75 %
Direct marketing	4,502	2,773	1,729	62 %
Travel and entertainment	2,530	1,011	1,519	150 %
Professional fees	973	624	349	56 %
Other	3,731	1,078	2,653	246 %
	$ 33,169	$ 17,756	$ 15,413	87 %

The increase in personnel related expenses is due to an increase in payroll costs, commissions and stock-based compensation resulting from new hires in our sales and marketing functions during the past twelve months, which includes functions such as partner development, customer success, and other business development. The increase in direct marketing is due to an increase in trade shows and events, which have begun to return to pre-pandemic levels. The increase in travel and entertainment expense is due to an increase in travel costs for in-person sales personnel meetings and events. The increase in other expenses is primarily due to $1.0 million of certain one-time expenses as well as an increase in shipping costs related to demo units.

General and Administrative Expenses

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	$ Change	% Change
Personnel related (including stock-based compensation)	$ 12,513	$ 4,038	$ 8,475	210 %
Professional fees	7,235	3,548	3,687	104 %
Insurance costs	3,524	1,183	2,341	198 %
Non-income taxes	701	106	595	561 %
Other	5,295	3,183	2,112	66 %
	$ 29,268	$ 12,058	$ 17,210	143 %

The increase in personnel related expenses is due to an increase in payroll costs and stock-based compensation resulting from expanding our administrative team during the past twelve months. The increase in professional fees is due to an increase in accounting, audit, tax, and legal services provided to the Company to support public company requirements. The increase in insurance costs is due primarily to director and officer insurance expense in relation to being a public company. The increase in non-income taxes is due to a sales tax contingency liability as we may owe additional sales and use taxes in various jurisdictions. The increase in other expenses is due primarily to $1.7 million of certain one-time expenses, a $0.4 million one-time payment to a former employee, and a $0.5 million increase in IT and software subscription costs, offset by $0.7 million of non-capitalizable transaction costs incurred during the nine months ended September 30, 2021 related to the Merger.

Loss From Impairment of Property and Equipment

Impairment of property and equipment was $1.0 million and $1.7 million for the nine months ended September 30, 2022 and 2021 respectively. As we transition existing domestic customers to our current Express model, we are removing Edge units and Express prototype units from service, which results in the impairment of the remaining economic value of such units.

Interest Expense

Interest expense was $0.5 million for the nine months ended September 30, 2022, compared to $6.0 million for the nine months ended September 30, 2021. The decrease was primarily due to interest expense on the Convertible Notes during the nine months ended September 30, 2021. The Convertible Notes converted to the Company's common stock upon closing of the Merger in July 2021.

Interest Income

Interest income of $1.6 million for the nine months ended September 30, 2022 related primarily to interest earned on money market funds. No interest income was earned for the nine months ended September 30, 2021.

Loss on Extinguishment of Debt

Loss on extinguishment of debt of $12.7 million for the nine months ended September 30, 2021 related to a modification of the 2021 Convertible Notes due to an agreement with noteholders to receive an additional 1,000,000 shares of NHIC common stock as further consideration for the conversion of such notes.

Change in Fair Value of Derivative Liability

Change in fair value of the derivative liability was $(1.7) million for the nine months ended September 30, 2021, resulting from an increase in the fair value of the Company's stock given the pending Merger. The derivative liability was derecognized in connection with the closing of the Merger in July 2021.

Change in Fair Value of Contingent Earn-out Liability

Change in fair value of the contingent earn-out liability was $9.8 million and $32.6 million for the nine months ended September 30, 2022 and 2021, respectively, resulting from quarterly mark-to-market adjustments. The contingent earn-out liability was established in connection with the closing of the Merger in July 2021.

Change in Fair Value of Contingently Issuable Common Stock Liability

Change in the fair value of the contingently issuable common stock liability was $2.5 million and $5.7 million for the nine months ended September 30, 2022 and 2021, respectively, resulting from quarterly market-to-market adjustments. The contingently issuable common stock liability was established in connection with the closing of the Merger in July 2021.

Change in Fair Value of Public Warrant Liability

Change in the fair value of the public warrant liability was $4.3 million and $3.2 million for the nine months ended September 30, 2022 and 2021, respectively, resulting from quarterly mark-to-market adjustments. The public warrant liability was established in connection with the closing of the Merger in July 2021.

Change in Fair Value of Common Stock Warrant Liability

Change in the fair value of the common stock warrant liability was $(0.9) million for the nine months ended September 30, 2021, resulting from the conversion of the common stock warrant liability upon the closing of the Merger in July 2021 and mark-to-market adjustments prior to the closing of the Merger.

Income Taxes

There is no provision for income taxes for the three and nine months ended September 30, 2022 and 2021 because we have historically incurred net operating losses and maintain a full valuation allowance against our deferred tax assets. We have provided a valuation allowance for all of our deferred tax assets as a result of our historical net losses in the jurisdictions in which we operate. We continue to assess all positive and negative evidence, including our future taxable income by jurisdiction based on our recent historical operating results, the expected timing of reversal of temporary differences, various tax planning strategies that we may be able to enact in future periods, the impact of potential operating changes on our business and our forecasted results from operations in future periods based on available information at the end of each reporting period. To the extent that we are able to reach the conclusion that deferred tax assets are realizable based on any combination of the above factors in any given tax jurisdiction, a reversal of all or some related portion of our existing valuation allowances may occur.

Liquidity and Capital Resources

Our primary requirements for liquidity and capital are working capital, inventory management, capital expenditures and general corporate needs. We expect these needs to continue as we develop and grow our business. Prior to the Merger, as an early-stage company, we primarily obtained cash to fund our operations through preferred stock offerings and debt instruments. As of September 30, 2022, we had $218.5 million in cash and cash equivalents. We incurred a net loss of $18.6 million and net income of $20.8 million for the three months ended September 30, 2022 and 2021, respectively, and a net loss of $58.1 million and $15.7 million for the nine months ended September 30, 2022 and 2021, respectively. We incurred cash outflows from operating activities of $69.4 million and $42.6 million during the nine months ended September 30, 2022 and 2021, respectively.

We expect our cash and cash equivalents, together with cash we expect to generate from future operations, will be sufficient to fund our operating expenses and capital expenditure requirements for a period of at least twelve months from the date of this Quarterly Report on Form 10-Q. However, because we are in the growth stage of our business and operate in an emerging field of technology, we expect to continue to invest in research and development and expand our sales and marketing teams worldwide. We are likely to require additional capital to respond to the expected growth in the demand for equipment purchases to support our "leased equipment" offering, technological advancements, competitive dynamics or technologies, customer demands, business opportunities, challenges, acquisitions or unforeseen circumstances and in either the short-term or long-term may determine to engage in equity or debt financings or enter into credit facilities for other reasons. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited. In particular, global events such as the public health emergencies, including the COVID-19 pandemic and its variants, international political turmoil, including Russia's invasion of Ukraine, ongoing supply chain disruptions, and prolonged inflation and rising interest rates have resulted in, and may continue to result in, significant disruption of global financial markets, reducing our ability to access capital. If we are unable to raise additional funds when or on the terms desired, our business, financial condition and results of operations could be adversely affected.

PIPE Investment and Proceeds from the closing of the Merger

In July 2021, we received gross proceeds of $300.0 million from our PIPE Investment, as well as $84.9 million in proceeds, net of redemptions received in connection with the closing of the Merger.

Financing Arrangements

In December 2020, we entered into a $10.0 million credit agreement with JPMorgan Chase Bank, N.A. (“JPM Credit Agreement”) with a maturity date of December 3, 2024, and a revolving line of credit of up to $10.0 million with a maturity date of December 3, 2022, which extinguished the 2020 Silicon Valley Bank Term Loan. Under the terms of the JPM Credit Agreement, we received proceeds of $10.0 million. As of September 30, 2022, we had $9.0 of debt outstanding. In September and December of 2020, we issued a total of $4.0 million of convertible notes (the “2020 Convertible Notes”). In January and February 2021, we issued a total of $30.0 million of convertible notes with a maturity date of September 2021.

Upon the closing of the Merger, the Convertible Notes automatically converted into 4,408,672 shares of the Company’s common stock and the holders of the 2021 Convertible Notes also received the right to receive 1,000,000 shares of the Company’s common stock, as noted above. Upon the conversion of the Convertible Notes, the carrying value of the debt of $32.8 million and the related derivative liability of $19.7 million and accrued interest of $0.2 million were derecognized resulting in a loss on extinguishment of debt of $0.9 million recorded in other income (expense), net, which was recorded during the three and nine months ended September 30, 2021.

Material Cash Requirements for Known Contractual and Other Obligations

The following is a description of commitments for capital expenditures and other known and reasonably likely cash requirements as of September 30, 2022. We anticipate fulfilling such commitments with our existing cash and cash equivalents obtained through operations, proceeds from long-term debt, closing of the Merger, and issuance of common stock in connection with the PIPE investment. Cash and cash equivalents amounted to $218.5 million as of September 30, 2022.

We entered into a lease agreement for additional office space starting May 1, 2021 through October 31, 2024, with the option to extend through October 31, 2027 with written notice. We are required to maintain a minimum cash balance of $0.7 million as a security deposit on the leased space which is classified as restricted cash, current and restricted cash, non-current on the condensed consolidated balance sheet as of September 30, 2022. Total future minimum lease payments under this noncancelable operating lease amount to $2.4 million. See Note 6 to our condensed consolidated financial statements for the three and nine months ended September 30, 2022.

Cash Flows

The following table sets forth a summary of cash flows for the periods presented:

	Nine Months Ended September 30,	
	2022	**2021**
Net cash used in operating activities	$ (69,421)	$ (42,565)
Net cash used in investing activities	(19,178)	(10,994)
Net cash provided by (used in) financing activities	(429)	383,277
Effect of exchange rate changes on cash and cash equivalents	35	—
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (88,993)	$ 329,718

Operating Activities

	Nine Months Ended September 30,	
	2022	2021
Net loss	$ (58,102)	$ (15,676)
Non-cash (income) expense	4,403	(9,977)
Changes in operating assets and liabilities	(15,722)	(16,912)
Net cash used in operating activities	$ (69,421)	$ (42,565)

Net loss increased from $15.7 million for the nine months ended September 30, 2021 to $58.1 million for the nine months ended September 30, 2022, as a result of the factors described in "Results of Operations" above.

Non-cash expenses for the nine months ended September 30, 2022 are primarily attributable to $15.5 million of stock-based compensation expense, $3.8 million of depreciation and amortization, and $1.0 million of loss from impairment of property and equipment, offset by $16.6 million of an aggregate change in fair value of the earn-out liability, contingently issuable common stock warrant liability, and public warrant liability. Non-cash expenses for the nine months ended September 30, 2021 are primarily attributable to a $12.7 million loss on debt extinguishment related to the 2021 Convertible Notes, $5.6 million of non-cash interest expense primarily related to the accretion of the debt discount associated with the 2021 Convertible Notes, $6.0 million of stock-based compensation expense, $1.9 million of depreciation and amortization, and $1.7 million of loss from impairment of property and equipment, offset by $38.9 million of an aggregate change in fair value of the derivative liability, common stock warrant liability, earn-out liability, contingently issuable common stock liability, and public warrant liability.

Changes in operating assets and liabilities for the nine months ended September 30, 2022 are primarily related to the following:

- $14.8 million increase in accounts receivable primarily due to higher sales and the timing of billings to customers;
- $4.4 million increase in inventory primarily due to increased production of units to meet customer demand;
- $9.0 million increase in prepaid expense and other current assets primarily due to deposits paid to the Company's contract manufacturer; offset by
- $16.0 million increase in deferred revenue due to a higher volume of sales.

Changes in operating assets and liabilities for the nine months ended September 30, 2021 are primarily related to the following:

- $5.9 million increase in accounts receivable primarily due to higher sales and the timing of billings to customers; and
- $11.5 million increase in prepaid expense and other current assets primarily due to prepaid subscriptions and insurance.

Investing Activities

During the nine months ended September 30, 2022, cash used in investing activities was $19.2 million, consisting of $17.6 million for the purchase of property and equipment, primarily related to the purchase of Express units to be leased to customers, and $1.9 million for the development of internal-use software, offset by $0.3 million of proceeds from the sale of property and equipment.

During the nine months ended September 30, 2021, cash used in investing activities was $11.0 million, consisting of the purchase of property and equipment, primarily related to the purchase of Express units to be leased to customers.

Financing Activities

During the nine months ended September 30, 2022, cash used in financing activities was $0.4 million, consisting of $1.0 million of debt repayments offset by $0.6 million of proceeds from the exercise of stock options.

During the nine months ended September 30, 2021, cash provided by financing activities was $383.3, consisting of $300.0 million from the issuance of common stock from the PIPE investment, $84.9 million of proceeds from closing of the Merger, $31.9 million from the issuance of long-term debt, net of issuance costs, and $0.8 million from the exercise of stock options, partially offset by $34.0 million of offering costs paid in relation to the closing of the Merger and $0.4 million in net cash outflows for the repayment of our finance obligations.

Recent Accounting Pronouncements

A description of recently issued accounting pronouncements that may potentially impact our financial position, results of operations or cash flows is disclosed in Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are described in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition" for the year ended December 31, 2021 in our Annual Report on Form 10-K. There have been no material changes to our critical accounting policies and estimates during the three months ended September 30, 2022 outside of our critical accounting policies and estimates described below.

Leases

We lease our corporate headquarters under a non-cancelable operating lease that expires in October 2024. We determine if our arrangement contains a lease at inception. We do not separate lease and non-lease components of our arrangement determined to contain a lease.

We use our estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of operating lease payments. To determine the estimated incremental borrowing rate, we use publicly available credit ratings for peer companies and estimate the incremental borrowing rate using yields for maturities that are in line with the duration of the lease payments.

To determine the residual value estimates and useful life of equipment that we lease to our customers, we are required to make judgments about future events that are subject to risks and uncertainties outside of their control, such as inventory levels of new equipment, changing consumer preferences, new technology and mandatory regulations. We have disciplines related to the management and maintenance of our leased equipment designed to manage the risk associated with the residual values of our revenue generating equipment. We periodically review and adjust, as appropriate, the estimated residual values and useful lives of existing revenue generating equipment for the purposes of recording depreciation expense. Based on the results of our analysis, we may adjust the estimated residual values and useful lives of individual assets of our revenue generating equipment each year.

Emerging Growth Company Status

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We meet the definition of an "emerging growth company" and have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result of this election, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies and our condensed consolidated financial statements may not be comparable to other public companies that comply with new or revised accounting pronouncements as of public company effective dates. We may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for private companies.

We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of the initial public offering, (b) in which we have total annual gross revenue of at least $1.235 billion or (c) in which we are deemed to be a large accelerated filer, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period.

Further, even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company," which would allow us to take advantage of many of the same exemptions from disclosure requirements, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our operations are primarily within the United States, and we transact primarily in United States dollars. Therefore, we do not have any material foreign currency exposure. We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

Interest Risk

We had cash, cash equivalents and restricted cash totaling $219.2 million as of September 30, 2022. Cash equivalents were invested primarily in money market funds. Our investment policy is focused on the preservation of capital and supporting our liquidity needs. Under the policy, we invest in highly rated securities, issued by the U.S. government or liquid money market funds. We do not invest in financial instruments for trading or speculative purposes, nor do we use leveraged financial instruments. We utilize external investment managers who adhere to the guidelines of our investment policy. A hypothetical 10% change in interest rates would not have a material impact on the value of our cash, cash equivalents, net loss or cash flows.

We have exposure to interest rate risk from our variable rate debt. We do not hedge our exposure to changes in interest rates. At September 30, 2022, we had $9.0 million in variable rate debt outstanding. A hypothetical 10% change in interest rates would not have a material impact on annualized interest expense.

Inflation Risk

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our results of operations and financial condition have been immaterial. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. We cannot assure that our business will not be affected in the future by inflation.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of our controls and procedures relative to their costs.

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2022, due to the material weaknesses in our internal control over financial reporting as described below.

Material Weaknesses in Internal Control over Financial Reporting

We have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we lacked a sufficient complement of personnel with an appropriate level of internal controls and accounting knowledge, training and experience commensurate with our financial reporting requirements. Additionally, the limited personnel resulted in our inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions. This material weakness contributed to the following additional material weaknesses:

- We did not design and maintain effective controls over the period-end financial reporting process to achieve complete, accurate and timely financial accounting, reporting and disclosures, including the classification of various accounts in the consolidated financial statements and the presentation and disclosure of items in the consolidated statements of cash flows.
- We did not design and maintain processes and controls to analyze, account for and disclose non-routine, unusual or complex transactions. Specifically, we did not design and maintain controls to timely analyze and account for debt modifications and extinguishments, convertible notes, warrant instruments, non-routine complex revenue transactions including the leasing of products and transfer of inventory for leased assets into property plant and equipment, merger transactions, and the accounting and valuation of earn out liabilities.
- We did not design and maintain formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including segregation of duties and controls over the preparation and review of account reconciliations and journal entries.
- We did not design and maintain effective controls to ensure the recording of revenue transactions in the appropriate period.
- We did not design and maintain effective controls over the completeness and accuracy of accounts payable and accrued liabilities.

These material weaknesses resulted in audit adjustments and certain immaterial misstatements in the Evolv financial statements to prepaid and other current assets, accounts payable and accrued liabilities, long-term and short-term debt, convertible notes, contingent earnout liabilities, change in fair value of contingent earn-out liability, equity, commission assets, contract asset, revenue, deferred revenue, accounts receivable, inventory, property plant and equipment, cost of sales and various expense line items and related financial statement disclosures as of and for the years ended December 31, 2019, 2020 and 2021. The material weakness related to accounting for warrant instruments, the classification of various accounts in the consolidated financial statements and the presentation and disclosure of items in the consolidated statements of cash flows also resulted in the revision of the Company's previously issued 2020 annual financial statements, 2021 quarterly and annual financial statements, and quarterly financial statements for the three months ended March 31, 2022. See Note 1 to our condensed consolidated financial statements for the three and nine months ended September 30, 2022. Additionally, these material weaknesses could result in a misstatement of substantially all of our accounts or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

- In addition to the foregoing, we did not design and maintain effective controls over information technology ("IT") general controls for information systems that are relevant to the preparation of our consolidated financial statements, specifically, with respect to: (i) program change management controls for financial systems to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate company personnel; (iii) computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored, and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements. These IT deficiencies did not result in a misstatement to the consolidated financial statements, however, the deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, management has determined these deficiencies in the aggregate constitute a material weakness.

Remediation Plan for the Material Weaknesses

We continue to be focused on designing and implementing effective internal controls to improve our internal control over financial reporting and remediate the material weaknesses. Our efforts include a number of actions:

- We have hired additional accounting, internal audit and IT personnel, to bolster our reporting, technical accounting, internal control and IT capabilities. Additionally, we are in the process of designing and implementing controls to formalize roles and review responsibilities to align with our team's skills and experience and designing and implementing controls over segregation of duties and have engaged outside consultants to assist us in these efforts.
- We added finance personnel to the organization, including a Chief Financial Officer and a Chief Accounting Officer, in order to strengthen our internal accounting team, to provide oversight, structure and reporting lines, and to provide additional review over our disclosures.
- We are in the process of designing and implementing controls related to the period-end financial reporting process and controls over the classification of various accounts in our consolidated financial statements, including the presentation and disclosure of items in the consolidated statements of cash flows.
- We are in the process of designing and implementing controls to timely identify and account for non-routine, unusual or complex transactions, including controls over the preparation and review of accounting memorandum addressing these matters.
- We are in the process of designing and implementing controls related to revenue recognition, including non-routine complex revenue transactions that may also include the leasing of products and the recording of revenue transactions in the appropriate period.
- We are in the process of designing and implementing controls over the completeness and accuracy of accounts payable and accrued liabilities.
- We are in the process of designing and maintaining formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over the preparation and review of account reconciliations and journal entries.
- We are in the process of designing and implementing information technology general controls, including controls over program change management, the review and update of user access rights and privileges, controls over batch jobs and data backups, and program development approvals and testing. To this end, we implemented a new Enterprise Resource Planning ("ERP") system in April 2022 and have implemented, and continue to implement, IT general controls related to the new system.

The process of designing and maintaining effective internal control over financial reporting is a continuous effort that requires management to anticipate and react to changes in our business, economic and regulatory environments and to expend significant resources. As we continue to evaluate our internal control over financial reporting, we may take additional actions to remediate the material weaknesses or modify the remediation actions described above.

While we continue to devote significant time and attention to these remediation efforts, the material weaknesses will not be considered remediated until management completes the design and implementation of the actions described above and the controls operate for a sufficient period of time, and management has concluded, through testing, that these controls are effective.

Changes in Internal Control over Financial Reporting

Other than changes to our internal control over financial reporting described in "Material Weaknesses in Internal Control over Financial Reporting" and "Remediation Plan for the Material Weakness" above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are from time to time subject to various claims, lawsuits, and other legal and administrative proceedings arising in the ordinary course of business. We are not currently engaged in any litigation of a material nature or criminal proceedings. See Note 20 (Commitments and Contingencies) to our condensed consolidated financial statements for the three and nine months ended September 30, 2022.

ITEM 1A. RISK FACTORS

Other than as set forth below, there have been no material changes to the risk factors described in our 2021 Form 10-K. For a discussion of potential risks and uncertainties related to us, see Part I, Item 1A, "Risk Factors" of our 2021 Form 10-K.

We have identified material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses, these material weaknesses could result in a material misstatement of our consolidated financial statements.

We have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

We did not design and maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we lacked a sufficient complement of personnel with an appropriate level of internal controls and accounting knowledge, training and experience commensurate with our financial reporting requirements. Additionally, the limited personnel resulted in our inability to consistently establish appropriate authorities and responsibilities in pursuit of our financial reporting objectives, as demonstrated by, among other things, insufficient segregation of duties in our finance and accounting functions. This material weakness contributed to the following additional material weaknesses:

- We did not design and maintain effective controls over the period-end financial reporting process to achieve complete, accurate and timely financial accounting, reporting and disclosures, including the classification of various accounts in the consolidated financial statements and the presentation and disclosure of items in the consolidated statement of cash flows.
- We did not design and maintain processes and controls to analyze, account for and disclose non-routine, unusual or complex transactions. Specifically, we did not design and maintain controls to timely analyze and account for debt modifications and extinguishments, convertible notes, warrant instruments, non-routine complex revenue transactions including the leasing of products and transfer of inventory for leased assets into property plant and equipment, merger transactions, and the accounting and valuation of earn out liabilities.
- We did not design and maintain formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including segregation of duties and controls over the preparation and review of account reconciliations and journal entries.
- We did not design and maintain effective controls to ensure the recording of revenue transactions in the appropriate period.
- We did not design and maintain effective controls over the completeness and accuracy of accounts payable and accrued liabilities.

These material weaknesses resulted in audit adjustments and certain immaterial misstatements in the Evolv financial statements to prepaid and other current assets, accounts payable and accrued liabilities, long-term and short-term debt, convertible notes, contingent earnout liabilities, change in fair value of contingent earn-out liability, equity, commission assets, contract asset, revenue, deferred revenue, accounts receivable, inventory, property plant and equipment, cost of sales and various expense line items and related financial statement disclosures as of and for the years ended December 31, 2019, 2020 and 2021. The material weakness related to accounting for warrant instruments, the classification of various accounts in the consolidated financial statements and the presentation and disclosure of items in the consolidated statement of cash flows also resulted in the revision of the Company's previously issued 2020 annual financial statements, 2021 quarterly and annual financial statements, and quarterly financial statements for the three months ended March 31, 2022. See Note 1 to our condensed consolidated financial statements for the three and nine months ended September 30,

2022. Additionally, these material weaknesses could result in a misstatement of substantially all of our accounts or disclosures that would result in a material misstatement to the annual or interim financial statements that would not be prevented or detected.

- In addition to the foregoing, we did not design and maintain effective controls over information technology ("IT") general controls for information systems that are relevant to the preparation of our consolidated financial statements, specifically, with respect to: (i) program change management controls for financial systems to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately; (ii) user access controls to ensure appropriate segregation of duties and that adequately restrict user and privileged access to financial applications, programs, and data to appropriate company personnel; (iii) computer operations controls to ensure that critical batch jobs are monitored and data backups are authorized and monitored; and (iv) testing and approval controls for program development to ensure that new software development is aligned with business and IT requirements. These IT deficiencies did not result in a misstatement to the consolidated financial statements, however, the deficiencies, when aggregated, could impact maintaining effective segregation of duties, as well as the effectiveness of IT-dependent controls (such as automated controls that address the risk of material misstatement to one or more assertions, along with the IT controls and underlying data that support the effectiveness of system-generated data and reports) that could result in misstatements potentially impacting all financial statement accounts and disclosures that would not be prevented or detected. Accordingly, management has determined these deficiencies in the aggregate constitute a material weakness.

We have begun implementation of a plan to remediate these material weaknesses. These remediation measures are ongoing and include hiring additional finance, accounting and IT personnel to bolster our reporting, technical accounting and IT capabilities. We are in the process of designing and implementing controls to formalize roles and review responsibilities to align with our team's skills and experience and designing and implementing controls over segregation of duties. We have engaged outside consultants to assist us in these efforts. We added, and continue to add, finance personnel, including a Chief Financial Officer and a Chief Accounting Officer, to strengthen our internal accounting team, to provide oversight, structure and reporting lines, and to provide additional review over our disclosures. We are in the process of designing and implementing controls related to the period-end financial reporting process and controls over the classification of various accounts in our consolidated financial statements, including the presentation and disclosure of items in the consolidated statements of cash flows. We are in the process of designing and implementing controls to timely identify and account for non-routine, unusual or complex transactions, including controls over the preparation and review of accounting memoranda addressing these matters. We are in the process of designing and implementing controls related to revenue recognition, including non-routine complex revenue transactions that may also include the leasing of products, the recording of revenue transactions in the appropriate period, and the completeness and accuracy of accounts payable and accrued liabilities. We are in the process of designing and maintaining formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures, including controls over the preparation and review of account reconciliations and journal entries. We are in the process of designing and implementing information technology general controls, including controls over program change management, the review and update of user access rights and privileges, controls over batch jobs and data backups, and program development approvals and testing. In April 2022, we went live on a new ERP system and have implemented, and continue to implement, IT general controls related to the new system.

While we are undertaking efforts to remediate these material weaknesses, the material weaknesses will not be considered remediated until our remediation plan has been fully implemented, the applicable controls operate for a sufficient period of time, and we have concluded, through testing, that the newly implemented and enhanced controls are operating effectively. At this time, we cannot predict the success of such efforts or the outcome of our assessment of the remediation efforts. We can give no assurance that our efforts will remediate these material weaknesses in our internal control over financial reporting, or that additional material weaknesses will not be identified in the future.

The effectiveness of our internal control over financial reporting is subject to various inherent limitations, including cost limitations, judgments used in decision making, assumptions about the likelihood of future events, the possibility of human error and the risk of fraud. If we are unable to remediate the material weaknesses, our ability to record, process and report financial information accurately, and to prepare the consolidated financial statements within the time periods specified by the rules and regulations of the SEC, could be adversely affected which, in turn, may adversely affect our reputation and business and the trading price of our common stock. Our failure to design and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements, and could cause us to fail to meet our reporting obligations, any of which could diminish investor confidence in us and cause a decline in the price of our common stock. In addition, any such failures could result in litigation or regulatory actions by the SEC or other regulatory authorities, loss of investor confidence, delisting of our securities and harm to our reputation and financial condition, or diversion of financial and management resources from the operation of our business.

Downturns in general economic and market conditions and reductions in spending may reduce demand for our products and services, which could harm our revenue, results of operations and cash flows.

Our performance depends on the financial health and strength of our customers, which in turn is dependent on the economic conditions of the markets in which we and our customers operate. The recent persisting declines in the global economy, rising inflation and interest rates in the U.S. and around the world, continuing geopolitical uncertainties and other macroeconomic factors all affect the spending behavior of potential customers and the consumers that visit their locations. During weak economic times, our available pool of potential customers may decline as potential customers reduce their security-related budget allocations and, in turn, our growth prospects may be negatively impacted. Prolonged economic slowdowns may result in diminished sales of our products and services. Further worsening, broadening or protracted extension of an economic downturn could have a material negative impact on our business, revenue, results of operations and cash flows.

We also face risks from financial difficulties or other uncertainties experienced by our suppliers, channel partners or other third parties on which we rely. If our partners and suppliers are negatively impacted by declining economic conditions or circumstances arising from military conflicts and such third parties are unable to supply us with required materials or components or otherwise assist us in operating our business, our business could be harmed. In addition, military conflicts, such as Russia's invasion of Ukraine, have and could continue to disrupt or otherwise adversely impact our operations and those of third parties upon which we rely. Related sanctions, export controls, and other actions have and may in the future be initiated by nations including the U.S., the EU or Russia (such as potential cyberattacks, disruption of energy flows, and others), which could adversely affect our business and/or our supply chain.

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

Unregistered Sales of Equity Securities

During the three months ended September 30, 2022, we did not sell any securities that were not registered under the Securities Act.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBIT INDEX

		Incorporated by Reference				
Exhibit No.	Description	Form	File No.	Exhibit	Filing Date	Filed/Furnished Herewith
3.1	Second Amended and Restated Certificate of Incorporation	10-Q	001-39417	3.1	November 15, 2021	
3.2	Amended and Restated Bylaws	8-K	001-39417	3.2	July 22, 2021	
10.1#	Form of Option Award Agreement under the 2021 Incentive Award Plan					*
10.2#	Evolv Technologies Holdings, Inc. Severance and Change in Control Plan	8-K	001-39417	10.1	October 31, 2022	
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)					*
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350					**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.
** Furnished herewith.
# Management contract or compensatory plan, contract or arrangement

SIGNATURES

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

Date: November 9, 2022

EVOLV TECHNOLOGIES HOLDINGS, INC.

By:	/s/ Mark Donohue
Name:	Mark Donohue
Title:	Chief Financial Officer
	(Principal Financial Officer)

EVOLV TECHNOLOGIES HOLDINGS, INC.

2021 INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE

Capitalized terms not specifically defined in this Stock Option Grant Notice (the "Grant Notice") have the meanings given to them in the Evolv Technologies Holdings, Inc. 2021 Incentive Award Plan (as amended from time to time, the "Plan"). Evolv Technologies Holdings, Inc. (the "Company") hereby grants to the participant listed below ("Participant") the stock option described in this Grant Notice (the "Option"), subject to the terms and conditions of the Plan and the Stock Option Agreement attached hereto as Exhibit A (the "Agreement"), both of which are incorporated into this Grant Notice by reference.

Participant:	______________________________
Grant Date:	______________________________
Exercise Price per Share:	______________________________
Shares Subject to the Option:	______________________________
Final Expiration Date:	______________________________
Vesting Commencement Date:	______________________________
Grant Type:	______________________________
Vesting Schedule:	______________________________

By Participant's electronic acceptance, Participant agrees to be bound by the terms of this Grant Notice, the Plan and the Agreement. Participant has reviewed the Plan, this Grant Notice and the Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of the Plan, this Grant Notice and the Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan or relating to the Option.

EXHIBIT A

STOCK OPTION AGREEMENT

ARTICLE I.
GENERAL

1.1 Incorporation of Terms of Plan. The Option is subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan will control.

1.2 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice. For purposes of this Agreement,

(a) "Cause" shall mean a Participating Company having "Cause" to terminate the Participant's employment as defined in any employment or severance agreement between the Participant and a Participating Company; *provided* that, in the absence of an agreement containing such a definition, a Participating Company shall have "Cause" to terminate the Participant's employment upon: (i) the willful and continued failure by the Participant to substantially perform his or her normal duties (other than any such failure resulting from the Participant's illness or injury), after a written demand for substantial performance is delivered to the Participant that specifically identifies the manner in which the Administrator believes that the Participant has not substantially performed his or her duties, and the Participant has failed to remedy the situation within thirty (30) business days of receiving such notice; (ii) the Participant's conviction for committing an act of fraud, embezzlement, theft, or other criminal act constituting a felony; or (iii) the willful engaging by the Participant in gross negligence materially and demonstrably injurious to the Participating Companies; (iv) the Participant's material failure to abide by a Participating Company's code of conduct or other policies (including, without limitation, policies relating to harassment, discrimination and reasonable workplace conduct); or (v) any material breach by the Participant of any employment or service agreement between the Participant and a Participating Company, which breach is not cured pursuant to the terms of such agreement. However, no act, or failure to act on the Participant's part shall be considered "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that his or her action or omission was not in or not opposed to the best interest of the Company.

(b) "Cessation Date" shall mean the date of Participant's Termination of Service (regardless of the reason for such termination).

(c) "Participating Company" shall mean the Company or any of its parents or Subsidiaries.

ARTICLE II.
GRANT OF OPTION

Section 2.1 Grant of Option. In consideration of Participant's past and/or continued employment with or service to a Participating Company and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to the Participant the Option to purchase any part or all of an aggregate number of Shares set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustment as provided in Section 12.2 of the Plan.

Section 2.2   Exercise Price. The exercise price per Share of the Shares subject to the Option (the "Exercise Price") shall be as set forth in the Grant Notice.

Section 2.3   Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to any Participating Company.

ARTICLE III.
PERIOD OF EXERCISABILITY

Section 3.1   Commencement of Exercisability.

(a) Subject to Participant's continued employment with or service to a Participating Company on each applicable vesting date and subject to Sections 3.2, 3.3, 6.9 and 6.14 hereof, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) Unless otherwise determined by the Administrator or as set forth in a written agreement between Participant and the Company, any portion of the Option that has not become vested and exercisable on or prior to the Cessation Date (including, without limitation, pursuant to any employment or similar agreement by and between Participant and the Company) shall be forfeited on the Cessation Date and shall not thereafter become vested or exercisable.

Section 3.2 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment that becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3 hereof. Once the Option becomes unexercisable, it shall be forfeited immediately.

Section 3.3 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The expiration date set forth in the Grant Notice; *provided* that such expiration date shall not be later than the tenth (10th) anniversary of the Grant Date;

(b) Except as the Administrator may otherwise approve, the ninetieth (90th) day following the Cessation Date by reason of Participant's Termination of Service for any reason other than due to death, Disability or by a Participating Company for Cause;

(c) Except as the Administrator may otherwise approve, immediately upon the Cessation Date by reason of Participant's Termination of Service by a Participating Company for Cause; and

(d) The expiration of twelve (12) months from the Cessation Date by reason of Participant's Termination of Employment due to death or Disability.

Section 3.4   Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Participating Companies have the authority to deduct or withhold, or require Participant to remit to the applicable Participating Company, an amount sufficient to satisfy any applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by Applicable Law to be withheld with respect to any taxable event arising pursuant to this Agreement. The

Participating Companies may withhold or Participant may make such payment in one or more of the forms specified below:

(i) by cash or check made payable to the Participating Company with respect to which the withholding obligation arises;

(ii) by the deduction of such amount from other compensation payable to Participant;

(iii) with respect to any withholding taxes arising in connection with the exercise of the Option, with the consent of the Administrator, by requesting that the Participating Companies withhold a net number of vested Shares otherwise issuable upon the exercise of the Option having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Participating Companies based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;

(iv) with respect to any withholding taxes arising in connection with the exercise of the Option, with the consent of the Administrator, by tendering to the Company vested Shares held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Participating Companies based on the maximum statutory withholding rates in Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income;

(v) with respect to any withholding taxes arising in connection with the exercise of the Option, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable to Participant pursuant to the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Participating Company with respect to which the withholding obligation arises in satisfaction of such withholding taxes; provided that payment of such proceeds is then made to the applicable Participating Company at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the Option, in the event Participant fails to provide timely payment of all sums required pursuant to Section 3.4(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 3.4(a)(ii) or Section 3.4(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing Shares issuable with respect to the exercise of the Option to, or to cause any such Shares to be held in book-entry form by, Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the exercise of the Option or any other taxable event related to the Option.

(c) In the event any tax withholding obligation arising in connection with the Option will be satisfied under Section 3.4(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of

Shares from those Shares then issuable upon the exercise of the Option as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Participating Company with respect to which the withholding obligation arises. Participant's acceptance of this Option constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 3.4(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any Shares to Participant until the foregoing tax withholding obligations are satisfied, provided that no payment shall be delayed under this Section 3.4(c) if such delay will result in a violation of Section 409A.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the Option, regardless of any action any Participating Company takes with respect to any tax withholding obligations that arise in connection with the Option. No Participating Company makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Shares. The Participating Companies do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

ARTICLE IV.
EXERCISE OF OPTION

Section 4.1 Person Eligible to Exercise. During the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3 hereof, be exercised by Participant's personal representative or by any Person empowered to do so under the deceased Participant's will or under the then Applicable Laws of descent and distribution.

Section 4.2 Partial Exercise. Subject to Section 6.2, any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3 hereof.

Section 4.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other Person designated by the Company), during regular business hours, of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3 hereof.

(a) An exercise notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the Shares with respect to which the Option or portion thereof is exercised, in such form of consideration permitted under Section 4.4 that is acceptable to the Administrator;

(c) The payment of any applicable withholding tax in accordance with Section 3.4;

(d) Any other written representations or documents as may be required in the Administrator's sole discretion to effect compliance with Applicable Law; and

(e) In the event the Option or portion thereof shall be exercised pursuant to Section 3.1 by any Person or Persons other than Participant, appropriate proof of the right of such Person or Persons to exercise the Option.

Notwithstanding any of the foregoing, the Administrator shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

Section 4.4 Method of Payment. Payment of the Exercise Price shall be by any of the following, or a combination thereof, at the election of Participant:

(a) Cash or check;

(b) With the consent of the Administrator, surrender of vested Shares (including, without limitation, Shares otherwise issuable upon exercise of the Option) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate Exercise Price of the Option or exercised portion thereof;

(c) Through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Exercise Price; *provided* that payment of such proceeds is then made to the Company at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(d) Any other form of legal consideration acceptable to the Administrator.

Section 4.5 Conditions to Issuance of Shares. The Company shall not be required to issue or deliver any certificate or certificates for any Shares or to cause any Shares to be held in book-entry form prior to the fulfillment of all of the following conditions: (a) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (b) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable, (d) the receipt by the Company of full payment for such Shares, which may be in one or more of the forms of consideration permitted under Section 4.4, and (e) the receipt of full payment of any applicable withholding tax in accordance with Section 3.4 by the Participating Company with respect to which the applicable withholding obligation arises.

Section 4.6 Rights as Stockholder. Neither Participant nor any Person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares purchasable upon the exercise of any part of the Option unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars and delivered to Participant (including through electronic delivery to a brokerage account). No adjustment will be made for a dividend or other right for which the record date is prior to the date of such issuance, recordation and delivery, except as provided in Section 12.2 of the Plan. Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

ARTICLE V.

RESTRICTIVE COVENANTS

Section 5.1 Acknowledgements. In light of the competitive and proprietary aspects of the business of the Company, the Participant acknowledges that the Participant executed a Non-Competition, Non-Solicitation, Non-Disclosure, and Intellectual Property Agreement previously entered into with the Company. Executive expressly reaffirms the terms and provisions of the Covenants Agreement as a condition of the right to receive and retain the Options granted hereunder.

ARTICLE VI.

OTHER PROVISIONS

Section 6.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested Persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

Section 6.2 Whole Shares. The Option may only be exercised for whole Shares.

Section 6.3 Option Not Transferable. Subject to Section 4.1 hereof, the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the Option have been issued, and all restrictions applicable to such Shares have lapsed. Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence. Notwithstanding the foregoing, with the consent of the Administrator, if the Option is a Non-Qualified Stock Option, it may be transferred to Permitted Transferees pursuant to any conditions and procedures the Administrator may require.

Section 6.4 Adjustments. The Administrator may accelerate the vesting of all or a portion of the Option in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 12.2 of the Plan.

Section 6.5 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 6.5, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

Section 6.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

Section 6.7 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

Section 6.8 Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan, the Grant Notice and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

Section 6.9 Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board*, provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of Participant.

Section 6.10 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 5.3 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

Section 6.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

Section 6.12 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of any Participating Company or shall interfere with or restrict in any way the rights of any Participating Company, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent (a) expressly provided otherwise in a written agreement between a Participating Company and Participant or (b) where such provisions are not consistent with applicable foreign or local laws, in which case such applicable foreign or local laws shall control.

Section 6.13 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

Section 6.14 Section 409A. This Option is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A. However, notwithstanding any other provision of the

Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Option (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other Person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Option either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

Section 6.15 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

Section 6.16 Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the right to receive Shares as a general unsecured creditor with respect to the Option, as and when exercised pursuant to the terms hereof.

Section 6.17 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

Section 6.18 Broker-Assisted Sales. In the event of any broker-assisted sale of Shares in connection with the payment of withholding taxes as provided in Section 3.4(a)(v) or Section 3.4(c) or the payment of the Exercise Price as provided in Section 4.4(c): (a) any Shares to be sold through a broker- assisted sale will be sold on the day the tax withholding obligation or exercise of the Option, as applicable, occurs or arises, or as soon thereafter as practicable; (b) such Shares may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (c) Participant will be responsible for all broker's fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (d) to the extent the proceeds of such sale exceed the applicable tax withholding obligation or Exercise Price, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (e) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation or Exercise Price; and (f) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Participating Company with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the applicable Participating Company's withholding obligation.

Section 6.19 Incentive Stock Options. Participant acknowledges that to the extent the aggregate Fair Market Value of Shares (determined as of the time the option with respect to the Shares is granted) with respect to which Incentive Stock Options, including this Option (if applicable), are exercisable for the first time by Participant during any calendar year exceeds $100,000 or if for any other reason such Incentive Stock Options do not qualify or cease to qualify for treatment as "incentive stock options" under Section 422 of the Code, such Incentive Stock Options shall be treated as Non-Qualified Stock Options. Participant further acknowledges that the rule set forth in the preceding sentence shall be applied by taking the Option and other stock options into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder. Participant also acknowledges that an

Incentive Stock Option exercised more than three (3) months after Participant's Termination of Service, other than by reason of death or disability, will be taxed as a Non-Qualified Stock Option.

Section 6.20 Notification of Disposition. If this Option is designated as an Incentive Stock Option, Participant shall give prompt written notice to the Company of any disposition or other transfer of any Shares acquired under this Agreement if such disposition or transfer is made (a) within two (2) years from the Grant Date or (b) within one (1) year after the transfer of such Shares to Participant. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

Exhibit 31.1

CERTIFICATION

I, Peter George, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Evolv Technologies Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2022

By:	/s/ Peter George
Name:	Peter George
Title:	Chief Executive Officer *(principal executive officer)*

Exhibit 31.2

CERTIFICATION

I, Mark Donohue, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Evolv Technologies Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2022

By:	/s/ Mark Donohue
Name:	Mark Donohue
Title:	Chief Financial Officer *(principal financial officer)*

Exhibit 32.1

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Evolv Technologies Holdings, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022

By:	/s/ Peter George
Name:	Peter George
Title:	Chief Executive Officer *(principal executive officer)*

Exhibit 32.2

Certification Pursuant to 18 U.S.C. Section 1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report of Evolv Technologies Holdings, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, the undersigned, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2022

By:	/s/ Mark Donohue
Name:	Mark Donohue
Title:	Chief Financial Officer
	(principal financial officer)