UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No.1)

(Mark One)

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

For the quarterly period ended June 30, 2023

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 ☒ No ☐

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 ☒ No ☐

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	☐	Accelerated filer	☐		
Non-accelerated filer	☒	Smaller reporting company	☒	Emerging growth company	☒

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. ☐

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

As of August 9, 2023, there were149,994,815 shares of Class A common stock, par value $0.0001 per share, outstanding.

TABLE OF CONTENTS

EXPLANATORY NOTE

Evolv Technologies Holdings, Inc. ("Evolv," the "Company," "we," "our" or "us") is filing this Amendment No. 1 to its Quarterly Report on Form 10-Q/A (“Quarterly Report on Form 10-Q/A”) to amend and restate its unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 included in its Quarterly Report on Form 10-Q for the three months ended June 30, 2023, which was filed with the U.S. Securities and Exchange Commission (the "SEC") on August 10, 2023 (the "Original Report"). This Quarterly Report on Form 10-Q/A also amends certain other Items in the Original Report, as listed in "Items Amended in this Quarterly Report on Form 10-Q/A" below.

Restatement Background

As previously announced in our Current Report on Form 8-K filed with the SEC on October 25, 2023, the audit committee (the "Audit Committee") of the board of directors of the Company, in consultation with management, concluded that the Company's previously issued unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023 included in the Original Report contained an error related to classification of certain marketable securities on the condensed consolidated balance sheet as of June 30, 2023, which also resulted in an error in the condensed consolidated statement of cash flows for the six months ended June 30, 2023. These errors are described in further detail below. As a result of the errors, the Audit Committee determined that the Company's consolidated financial statements included in the Original Report should no longer be relied upon. Similarly, any previously furnished or filed reports, related earnings releases, investor presentations or similar communications of the Company describing those financial statements and other information covering those periods should no longer be relied upon.

During the three months ended June 30, 2023, as part of its overall cash management strategy, the Company purchased zero coupon U.S. treasury bills with staggered maturities of between two months and six months. The Company classified all outstanding treasury bills as cash equivalents on its condensed consolidated balance sheet as of June 30, 2023. However, the treasury bills with maturities exceeding three months did not meet the definition of cash equivalents per Accounting Standards Codification 230 - Statement of Cash Flows, and should have been presented separately within current assets. The purchases of treasury bills with maturities greater than three months should have been presented as a cash outflow from investing activities within the condensed consolidated statement of cash flows for the six months ended June 30, 2023.

The errors did not impact total current assets, total assets, or total equity as of June 30, 2023. Further, the condensed consolidated statements of operations and comprehensive income for the three and six months ended June 30, 2023 and the condensed consolidated statements of stockholders' equity for the three and six months ended June 30, 2023 have not been adjusted as the impact of the errors on each statement was less than $0.1 million, which was deemed immaterial.

Additionally, in Note 3. Fair Value Measurements to the condensed consolidated financial statements included in the Original Report, the fair value of the treasury bills was incorrectly included in the caption "Money market funds," and should have been presented separately as a financial asset measured using Level 2 inputs under the fair value hierarchy. The restated financial statements also include certain required disclosures related to the investments in debt securities.

An explanation of the impact on the Company's financial statements is contained in Note 1. Nature of the Business and Basis of Presentation - Restatement to the accompanying financial statements.

Internal Control Considerations

Management has concluded that the errors are a result of the Company's previously disclosed material weaknesses in internal control over financial reporting related to the design and maintenance of effective controls over the period-end financial reporting process, 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. See Part I, Item 4. Controls and Procedures of this Quarterly Report on Form 10-Q/A.

Items Amended in this Quarterly Report on Form 10-Q/A

This Quarterly Report on Form 10-Q/A sets forth our Original Report, as amended, in its entirety. Except as described below and set forth in this Quarterly Report on Form 10-Q/A, there were no changes to any other parts of the Original Report. Items included in the Original Report that are not amended by this Quarterly Report on Form 10-Q/A remain unchanged and in effect as of the date of the Original Report. Additionally, this Quarterly Report on Form 10-Q/A does not reflect events occurring after the date of the Original Report or modify or update those disclosures that may be affected by subsequent events, and no other changes are being made to any other disclosure contained in the Original Report.

The following items have been amended in this Quarterly Report on Form 10-Q/A, solely as a result of and to reflect the restatement:

- Part 1, Item 1. Financial Statements
- Part 1, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part 1, Item 4. Controls and Procedures
- Part II, Item 1A. Risk Factors
- Part II, Item 6. Exhibits, to include, in accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended, currently dated certifications from our Principal Executive Officer and Principal Financial Officer, filed or furnished, as applicable, as Exhibits 31.1, 31.2, 32.1 and 32.2.

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q/A 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 contained in this Quarterly Report on Form 10-Q/A, other than statements of historical fact, including, without limitation, statements regarding our results of operations and financial position, business strategy, plans and prospects, our relationship with significant manufacturers and suppliers, our ability to obtain new customers and retain existing customers, 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, are forward-looking statements. The words "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 are intended to identify forward-looking statements though not all forward-looking statement use these word or expressions.

The forward-looking statements in this Quarterly Report on Form 10-Q/A 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 risks relating to the restatement of our consolidated financial statements, expectations regarding the Company's strategies and future financial performance, including its future business plans or objectives, prospective performance and opportunities and competitors, 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 and distribution, and a global supply chain; 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 failure of our products to detect threats could result in injury or loss of life, which could harm our brand, reputation, and results of operations; the loss of designation of our Evolv Express® system as a Qualified Anti-Terrorism Technology under the Homeland Security SAFETY Act; the ability for the Company to obtain, maintain, protect and enforce the Company's intellectual property rights and use of "open source" software; 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; risks related to existing and changing tax laws; 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; risks related to material weaknesses in our internal control over financial reporting and our remediation plans; risks related to increasing attention to and evolving expectations for, environmental, social, and governance initiatives, risk that the COVID-19 pandemic or a new 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 general economic and market conditions; the need for additional capital to support business growth, which might not be available on acceptable terms, if at all; and litigation and regulatory enforcement risks, including the diversion of management time and attention and the additional costs and demands on resources; and other 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, 2022, as any such factors may be updated from time to time in its other filings with the SEC. Other than the sections we have amended in this Quarterly Report on Form 10-Q/A to reflect the restatement of our unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2023, forward-looking statements in this Quarterly Report on Form 10-Q/A are based upon information available to us as of the date of the Original Report, 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/A and the documents that we reference in this Quarterly Report on Form 10-Q/A and have filed as exhibits to this Quarterly Report on Form 10-Q/A 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. 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/A or to conform these statements to actual results or revised expectations, 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/A.

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

	June 30, 2023 (Restated)	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 125,890	$ 229,783
Restricted cash	1,000	—
Marketable securities	29,647	—
Accounts receivable, net *	32,393	31,920
Inventory	5,032	10,257
Current portion of contract assets	4,732	2,852
Current portion of commission asset	3,648	3,384
Prepaid expenses and other current assets	13,808	14,388
Total current assets	216,150	292,584
Restricted cash, noncurrent	275	275
Contract assets, noncurrent	690	1,386
Commission asset, noncurrent	6,649	5,655
Property and equipment, net	81,085	44,707
Operating lease right-of-use assets	1,241	1,673
Other assets	1,878	1,835
Total assets	$ 307,968	$ 348,115
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 16,912	$ 18,194
Accrued expenses and other current liabilities	10,821	11,545
Current portion of deferred revenue	39,366	18,273
Current portion of long-term debt	—	10,000
Current portion of operating lease liabilities	1,130	1,114
Total current liabilities	68,229	59,126
Deferred revenue, noncurrent	20,715	17,695
Long-term debt, noncurrent	—	19,683
Operating lease liabilities, noncurrent	363	892
Contingent earn-out liability	45,649	14,218
Contingently issuable common stock liability	9,229	3,392
Public warrant liability	19,625	6,124
Total liabilities	163,810	121,130
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 100,000,000 authorized at June 30, 2023 and December 31, 2022; no shares issued and outstanding at June 30, 2023 and December 31, 2022	—	—
Common stock, $0.0001 par value; 1,100,000,000 shares authorized at June 30, 2023 and December 31, 2022; 149,790,742 and 145,204,974 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively	15	15
Additional paid-in capital	431,759	419,190
Accumulated other comprehensive loss	(43)	(10)
Accumulated deficit	(287,573)	(192,210)
Stockholders' equity	144,158	226,985
Total liabilities and stockholders' equity	$ 307,968	$ 348,115

* Includes related party accounts receivable, net of $3.8 million and $14.6 million as of June 30, 2023 and December 31, 2022, respectively.

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue:				
Product revenue	$ 7,243	$ 4,146	$ 15,997	$ 9,340
Subscription revenue	7,964	4,006	14,430	7,010
Service revenue	4,618	918	7,979	1,430
Total revenue *	19,825	9,070	38,406	17,780
Cost of revenue:				
Cost of product revenue	7,722	5,347	18,300	10,553
Cost of subscription revenue	3,406	1,981	5,757	3,523
Cost of service revenue	1,284	1,189	2,171	2,254
Total cost of revenue	12,412	8,517	26,228	16,330
Gross profit	7,413	553	12,178	1,450
Operating expenses:				
Research and development	6,395	4,156	11,784	8,331
Sales and marketing	13,613	11,751	26,417	21,423
General and administrative	10,874	9,612	19,800	20,429
Loss from impairment of property and equipment	157	316	294	412
Total operating expenses	31,039	25,835	58,295	50,595
Loss from operations	(23,626)	(25,282)	(46,117)	(49,145)
Other income (expense), net:				
Interest expense	—	(159)	(654)	(301)
Interest income	1,853	491	2,806	559
Other expense, net	(22)	—	(3)	—
Loss on extinguishment of debt	—	—	(626)	—
Change in fair value of contingent earn-out liability	(28,113)	(569)	(31,431)	2,509
Change in fair value of contingently issuable common stock liability	(5,095)	(24)	(5,837)	1,448
Change in fair value of public warrant liability	(11,751)	(143)	(13,501)	5,443
Total other income (expense), net	(43,128)	(404)	(49,246)	9,658
Net loss	$ (66,754)	$ (25,686)	$ (95,363)	$ (39,487)
Weighted average common shares outstanding – basic and diluted	148,882,160	143,552,032	147,664,534	143,220,268
Net loss per share - basic and diluted	$ (0.45)	$ (0.18)	$ (0.65)	$ (0.28)
Net loss	$ (66,754)	$ (25,686)	$ (95,363)	$ (39,487)
Other comprehensive loss				
Cumulative translation adjustment	(17)	(10)	(33)	(10)
Total other comprehensive loss	(17)	(10)	(33)	(10)
Total comprehensive loss	$ (66,771)	$ (25,696)	$ (95,396)	$ (39,497)

* Includes related party revenue of $3.4 million and $2.2 million for the three months ended June 30, 2023 and 2022, respectively, and $7.0 million and $3.1 million for the six months ended June 30, 2023 and 2022, respectively.

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

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

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balances at December 31, 2022	145,204,974	$ 15	$ 419,190	$ (10)	$ (192,210)	$ 226,985
Issuance of common stock upon net exercise of stock options	100,587	—	33	—	—	33
Issuance of common stock upon vesting of restricted stock units	1,841,257	—	—	—	—	—
Issuance of common stock upon exercise of warrants	830,216	—	348	—	—	348
Stock-based compensation cost	—	—	5,101	—	—	5,101
Cumulative translation adjustment	—	—	—	(16)	—	(16)
Net loss	—	—	—	—	(28,609)	(28,609)
Balances at March 31, 2023	147,977,034	$ 15	$ 424,672	$ (26)	$ (220,819)	$ 203,842
Issuance of common stock upon net exercise of stock options	775,193	—	310	—	—	310
Issuance of common stock upon vesting of restricted stock units	1,038,415	—	—	—	—	—
Issuance of common stock upon exercise of warrants	100	—	1	—	—	1
Stock-based compensation cost	—	—	6,776	—	—	6,776
Cumulative translation adjustment	—	—	—	(17)	—	(17)
Net loss	—	—	—	—	(66,754)	(66,754)
Balances at Balances at June 30, 2023	149,790,742	$ 15	$ 431,759	$ (43)	$ (287,573)	$ 144,158
Balances at December 31, 2021	142,745,021	$ 14	$ 396,064	$ —	$ (105,804)	$ 290,274
Issuance of common stock upon 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

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)

	Six Months Ended June 30,	
	2023 (Restated)	2022
Cash flows from operating activities:		
Net loss	$ (95,363)	$ (39,487)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,087	2,350
Write-off of inventory and change in inventory reserve	337	425
Adjustment to property and equipment for sales type leases	—	(625)
Loss from impairment of property and equipment	294	412
Stock-based compensation	11,732	8,988
Non-cash interest expense	22	10
Accretion of discount on marketable securities	(242)	—
Non-cash lease expense	432	392
Change in allowance for expected credit losses	173	80
Loss on extinguishment of debt	626	—
Change in fair value of earn-out liability	31,431	(2,509)
Change in fair value of contingently issuable common stock	5,837	(1,448)
Change in fair value of public warrant liability	13,501	(5,443)
Changes in operating assets and liabilities		
Accounts receivable	(646)	(5,786)
Inventory	5,080	(3,545)
Commission assets	(1,258)	(339)
Contract assets	(1,184)	(1,352)
Other assets	(43)	(756)
Prepaid expenses and other current assets	580	(9,707)
Accounts payable	(7,409)	2,147
Deferred revenue	24,113	6,031
Accrued expenses and other current liabilities	(342)	(1,876)
Operating lease liability	(513)	(457)
Net cash used in operating activities	(8,755)	(52,495)
Cash flows from investing activities:		
Development of internal-use software	(1,599)	(1,301)
Purchases of property and equipment	(33,173)	(11,379)
Proceeds from sale of property and equipment	60	—
Purchases of marketable securities	(29,405)	—
Net cash used in investing activities	(64,117)	(12,680)
Cash flows from financing activities:		
Proceeds from exercise of stock options and warrants	344	384
Proceeds from long-term debt	1,876	—
Repayment of principal on long-term debt	(31,876)	—
Payment of debt issuance costs and prepayment penalty	(332)	—
Net cash provided by (used in) financing activities	(29,988)	384
Effect of exchange rate changes on cash and cash equivalents	(33)	(10)
Net increase (decrease) in cash, cash equivalents and restricted cash	(102,893)	(64,801)
Cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash at beginning of period	230,058	308,167
Cash, cash equivalents and restricted cash at end of period	$ 127,165	$ 243,366

	Six Months Ended June 30,	
	2023 (Restated)	2022
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 710	$ 277
Supplemental disclosure of non-cash activities		
Transfer of property and equipment to inventory	$ 191	$ —
Capital expenditures incurred but not yet paid	13,572	4,256
Capitalization of stock compensation	218	57
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 125,890	$ 242,691
Restricted cash	1,000	400
Restricted cash, noncurrent	275	275
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	$ 127,165	$ 243,366

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 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 live, work, learn, and play. The Company is democratizing security by making it seamless for gathering spaces to better address the chronic epidemic of escalating gun violence, mass shootings and terrorist attacks in a cost-effective manner while improving safety and the visitor experience. The Company is headquartered in Waltham, Massachusetts.

As used in this Quarterly Report on Form 10-Q/A, 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.

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”).

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements as of June 30, 2023, and for the three and six months ended June 30, 2023 and 2022 have been prepared on the same basis as the audited annual consolidated financial statements as of December 31, 2022 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 June 30, 2023 and the results of its operations for the three and six months ended June 30, 2023 and 2022 and cash flows for the six months ended June 30, 2023 and 2022. The results for the three and six months ended June 30, 2023 are not necessarily indicative of results to be expected for the year ending December 31, 2023, any other interim periods, or any future year or period.

Merger

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”).

Restatement

The Company is restating its previously issued condensed consolidated financial statements and related notes as of and for the three and six months ended June 30, 2023. The Company identified an error related to classification of certain marketable securities on the condensed consolidated balance sheet as of June 30, 2023, which also resulted in an error in the condensed consolidated statement of cash flows for the six months ended June 30, 2023.

During the three months ended June 30, 2023, as part of its overall cash management strategy, the Company purchased zero coupon U.S. treasury bills with staggered maturities of between two months and six months. The Company classified all outstanding treasury bills as cash equivalents on its condensed consolidated balance sheet as of June 30, 2023. However, the treasury bills with maturities exceeding three months did not meet the definition of cash equivalents per Accounting Standards Codification 230 - Statement of Cash Flows, and should have been presented separately within current assets. The purchases of treasury bills with maturities greater than three months should have been presented as a cash outflow from investing activities within the condensed consolidated statement of cash flows for the six months ended June 30, 2023.

A summary of the impact of the error on the condensed consolidated balance sheet as of June 30, 2023 is as follows (amounts in thousands):

	As Reported	Adjustment	As Restated
Current assets:			
Cash and cash equivalents	$ 155,537	$ (29,647)	$ 125,890
Restricted cash	1,000	—	1,000
Marketable securities	—	29,647	29,647
Accounts receivable, net	32,393	—	32,393
Inventory	5,032	—	5,032
Current portion of contract assets	4,732	—	4,732
Current portion of commission asset	3,648	—	3,648
Prepaid expenses and other current assets	13,808	—	13,808
Total current assets	216,150	—	216,150
Total assets	$ 307,968	$ —	$ 307,968
Total liabilities	$ 163,810	$ —	$ 163,810
Stockholders’ equity	$ 144,158	$ —	$ 144,158
Total liabilities and stockholders’ equity	$ 307,968	$ —	$ 307,968

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

A summary of the impact of the error on the condensed consolidated statement of cash flows for the six months ended June 30, 2023 is as follows (amounts in thousands):

	As Reported	Adjustment	As Restated
Cash flows from operating activities:			
Net loss	$ (95,363)	$ —	$ (95,363)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,087	—	4,087
Write-off of inventory and change in inventory reserve	337	—	337
Loss from impairment of property and equipment	294	—	294
Stock-based compensation	11,732	—	11,732
Non-cash interest expense	22	—	22
Accretion of discount on marketable securities	—	(242)	(242)
Non-cash lease expense	432	—	432
Change in allowance for expected credit losses	173	—	173
Loss on extinguishment of debt	626	—	626
Change in fair value of earn-out liability	31,431	—	31,431
Change in fair value of contingently issuable common stock	5,837	—	5,837
Change in fair value of public warrant liability	13,501	—	13,501
Changes in operating assets and liabilities		—	—
Accounts receivable	(646)	—	(646)
Inventory	5,080	—	5,080
Commission assets	(1,258)	—	(1,258)
Contract assets	(1,184)	—	(1,184)
Other assets	(43)	—	(43)
Prepaid expenses and other current assets	580	—	580
Accounts payable	(7,409)	—	(7,409)
Deferred revenue	24,113	—	24,113
Accrued expenses and other current liabilities	(342)	—	(342)
Operating lease liability	(513)	—	(513)
Net cash used in operating activities	(8,513)	(242)	(8,755)
Cash flows from investing activities:			
Development of internal-use software	(1,599)	—	(1,599)
Purchases of property and equipment	(33,173)	—	(33,173)
Proceeds from sale of property and equipment	60	—	60
Purchases of marketable securities	—	(29,405)	(29,405)
Net cash used in investing activities	(34,712)	(29,405)	(64,117)
Net cash provided by (used in) financing activities	$ (29,988)	$ —	$ (29,988)
Effect of exchange rate changes on cash and cash equivalents	$ (33)	$ —	$ (33)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (73,246)	$ (29,647)	$ (102,893)
Cash, cash equivalents and restricted cash at end of period	$ 156,812	$ (29,647)	$ 127,165

Additionally, Note 4. Fair Value Measurements (As Restated), has been restated to present the treasury bills separately as a financial asset measured using Level 2 inputs under the fair value hierarchy. The previously issued condensed consolidated financial statements incorrectly included the treasury bills in the caption "Money market funds," which are measured using Level 1 inputs under the fair value hierarchy. The restated financial statements also include certain required disclosures related to these investments in debt securities. These are included in Note 3. Marketable Securities (As Restated).

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

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, 2022, and the notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no material changes to the Company's significant accounting policies during the six months ended June 30, 2023.

Recently Adopted 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. Based on our public float as of June 30, 2023, we expect to become a large accelerated filer and lose emerging growth company status as of December 31, 2023. As of December 31, 2023, we will be required to adopt new or revised accounting standards when they are applicable to public companies that are not emerging growth companies. Based on our public float as of June 30, 2023, we also expect to transition out of smaller reporting company status as of December 31, 2023 and will no longer be able to rely on the scaled disclosure requirements allowed for smaller reporting 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 adopted this guidance effective January 1, 2023, and the adoption of this guidance did not have a material impact on its consolidated financial statements and related disclosures.

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 adopted this guidance effective January 1, 2023, and the adoption of this guidance did not have an impact on its consolidated financial statements and related disclosures.

3. Marketable Securities (As Restated)

Marketable securities as of June 30, 2023 consisted of the following:

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

	June 30, 2023		
	Amortized Cost	Unrealized Gain/(Loss)	Fair Value
U.S. Treasury bills	$ 29,647	$ —	$ 29,647
Total marketable securities	$ 29,647	$ —	$ 29,647

Marketable securities are reported at fair value and, at June 30, 2023, are comprised solely of zero coupon U.S. treasury bills with maturities of less than one year that are classified as available-for-sale debt securities. The Company did not record any unrealized gains or losses on available-for-sale securities for the three or six months ended June 30, 2023. The accretion of discounts on marketable securities is included in interest income on the condensed consolidated statements of operations and comprehensive income. The Company did not have any marketable securities as of December 31, 2022.

The Company considers an available-for-sale debt security to be impaired if the fair value of the investment is less than its amortized cost basis. The entire difference between the amortized cost basis and the fair value of the Company's available-for-sale debt securities is recognized on the condensed consolidated statements of operations as an impairment if, (i) the fair value of the security is below its amortized cost and (ii) the Company intends to sell or is more likely than not required to sell the security before recovery of its amortized cost basis. If neither criterion is met, the Company evaluates whether the decline in fair value is due to credit losses or other factors. In making this assessment, the Company considers the changes to the rating of the security by third-party rating agencies, and adverse conditions specific to the security, among other factors. If the Company's assessment indicates that a credit loss exists, the credit loss is measured based on the Company's best estimate of the cash flows expected to be collected. When developing its estimate of cash flows expected to be collected, the Company considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts.

4. Fair Value Measurements (As Restated)

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 June 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 101,998	$ —	$ —	$ 101,998
U.S. Treasury bills	—	39,614	—	39,614
	$ 101,998	$ 39,614	$ —	$ 141,612
Liabilities:				
Contingent earn-out liability	$ —	$ —	$ 45,649	$ 45,649
Contingently issuable common stock liability	—	—	9,229	9,229
Public Warrant liability	19,625	—	—	19,625
	$ 19,625	$ —	$ 54,878	$ 74,503

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

	Fair Value Measurements as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 149,971	$ —	$ —	$ 149,971
	$ 149,971	$ —	$ —	$ 149,971
Liabilities:				
Contingent earn-out liability	$ —	$ —	$ 14,218	$ 14,218
Contingently issuable common stock liability	—	—	3,392	3,392
Public Warrant liability	6,124	—	—	6,124
	$ 6,124	$ —	$ 17,610	$ 23,734

Money market funds are included in cash and cash equivalents on the condensed consolidated balance sheets. U.S. Treasury bills with maturities less than 3 months, which totaled $10.0 million as of June 30, 2023, are included in cash and cash equivalents, while treasury bills with maturities greater than 3 months, which totaled $29.6 million as of June 30, 2023, are reflected as marketable securities. The fair value of the treasury bills, which are classified as Level 2 securities, is calculated by a third-party pricing service and is based on estimates obtained from various sources.

The Company may also value its non-financial assets and liabilities, including items such as inventories and property and equipment, at fair value on a non-recurring basis if it is determined that impairment has occurred. Such fair value measurements use significant unobservable inputs and are classified as Level 3.

During each of the three and six months ended June 30, 2023 and 2022, 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 stockholders, 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, 2022. 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 June 30, 2023, 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 June 30, 2023 were as follows: 85% expected stock price volatility, a risk-free rate of return of4.6%, a 25% likelihood of change in control and a remaining term of 2.7 years.

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

Balance at December 31, 2022	$ 14,218
Change in fair value	31,431
Balance at June 30, 2023	$ 45,649

Valuation of Contingently Issuable Common Stock

Prior to the Merger, certain NHIC stockholders owned 4,312,500 shares of NHIC Class B common stock (the "Founder Shares"). Upon the closing of the Merger, NHIC Class A and Class B common stock became the Company's common stock. 1,897,500 Founder Shares vested at the closing of the Merger, 517,500 Founder Shares were transferred back to NHIC and then contributed to Give Evolv LLC, and the remaining 1,897,500 outstanding Founder Shares are contingently issuable and 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, 2022. The Company's contingently issuable common shares were recorded at fair value on the closing of the Merger and are remeasured each reporting period. As of June 30, 2023, 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 June 30, 2023 were as follows: 85% expected stock price volatility, a risk-free rate of return of4.5%, a 25% likelihood of change in control and a remaining term of 3.1 years.

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

Balance at December 31, 2022	$	3,392
Change in fair value		5,837
Balance at June 30, 2023	$	9,229

Valuation of Public Warrant Liability

In connection with the closing of the Merger, the Company assumed warrants (the "Public Warrants") to purchase 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 are subsequently remeasured to fair value at each reporting date based on the closing price as reported by Nasdaq on the last date of the reporting period. As of June 30, 2023, 14,324,893 Public Warrants are outstanding.

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

Balance at December 31, 2022	$	6,124
Change in fair value		13,501
Balance at June 30, 2023	$	19,625

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, (3) professional services, and (4) license fees related to a distribution and license agreement with the Company's primary contract manufacturer. The Company's arrangements are generally noncancelable and nonrefundable after shipment to the customer. 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 June 30, 2023

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

	Less than 1 year	Greater than 1 year	Total
Product revenue	$ 3,050	$ —	$ 3,050
Subscription revenue	42,140	92,099	134,239
Service revenue	17,883	43,124	61,007
Total revenue	$ 63,073	$ 135,223	$ 198,296

The amount of minimum future leases is based on expected income recognition.As of June 30, 2023, future minimum payments on noncancelable leases are as follows (in thousands):

Year Ending December 31:	
2023 (six months remaining)	$ 21,253
2024	41,340
2025	37,364
2026	26,748
2027	7,511
Thereafter	23
	$ 134,239

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 June 30, 2023 and December 31, 2022, the Company had $4.7 million and $2.9 million in current portion of contract assets and $0.7 million and $1.4 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 $5.3 million and $12.1 million during the three and six months ended June 30, 2023 that was included in the December 31, 2022 deferred revenue balance. The Company recognized revenue of $2.2 million and $4.7 million during the three and six months ended June 30, 2022 that was included in the December 31, 2021 deferred revenue balance.

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

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

Balance at December 31, 2022	$	35,968
Revenue recognized in relation to the beginning of the year contract liability balance		(12,140)
Revenue deferred		36,253
Balance at June 30, 2023	$	60,081

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue from sales-type leases	$ —	$ —	$ —	$ 1,106
Interest income on lease receivables	51	61	104	110
Lease income - operating leases	7,964	4,006	14,430	7,010
Total lease revenue	$ 8,015	$ 4,067	$ 14,534	$ 8,226

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 under interest income 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. Revenue related to leases entered into with related parties were less than $0.1 million and $0.2 million during the three and six months ended June 30, 2023, respectively. Revenue related to leases entered into with related parties were $0.2 million and $0.3 million during the three and six months ended June 30, 2022, respectively.

Disaggregated Revenue

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Product revenue	$ 7,243	$ 4,146	$ 15,997	$ 9,340
Leased equipment	7,964	4,006	14,430	7,010
SaaS, maintenance, and other revenue	4,121	729	6,899	1,097
Professional services	497	189	1,080	333
Total revenue	$ 19,825	$ 9,070	$ 38,406	$ 17,780

Commissions

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 $10.3 million and $9.0 million as of June 30, 2023 and December 31, 2022, respectively. During the three months ended June 30, 2023 and 2022, the Company recognized commission expense of $1.5 million and $0.9 million, respectively. During the six months ended June 30, 2023 and 2022, the Company recognized commission expense of $3.1 million and $1.2 million, respectively.

6. Accounts Receivable

Allowance for Expected Credit Losses

Changes in the allowance for expected credit losses were as follows (in thousands):

	Allowance for Doubtful Accounts
Balance at December 31, 2022	$ (200)
Provisions	(182)
Write-offs, net of recoveries	9
Balance at June 30, 2023	$ (373)

7. Inventory

Inventory consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Raw materials	$ 3,250	$ 2,334
Finished goods	1,782	7,923
Total	$ 5,032	$ 10,257

8. Property and Equipment, Net

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

	June 30, 2023	December 31, 2022
Computers and telecom equipment	$ 1,001	$ 599
Lab equipment	951	871
Furniture and fixtures	111	111
Leasehold improvements	542	542
Leased equipment	57,143	35,983
Capitalized software	6,002	4,150
Sales demo equipment	2,689	2,340
Equipment held for lease[1]	24,183	7,826
Construction in progress	156	71
	92,778	52,493
Less: Accumulated depreciation and amortization	(11,693)	(7,786)
	$ 81,085	$ 44,707

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

As of June 30, 2023 and December 31, 2022, the net book value of capitalized software was $4.9 million and $3.5 million, respectively. These amounts include $0.4 million and $0.2 million of capitalized stock compensation costs, respectively. Depreciation and amortization expense related to property and equipment was $2.3 million and $1.3 million for the three months ended June 30, 2023 and 2022, and $4.1 million and $2.4 million for the six months ended June 30, 2023 and 2022, respectively.

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

Leased equipment and the related accumulated depreciation were as follows:

	June 30, 2023	December 31, 2022
Leased equipment	$ 57,143	$ 35,983
Accumulated depreciation	(8,805)	(5,802)
Leased equipment, net	$ 48,338	$ 30,181

Depreciation expense related to leased units was $1.8 million and $1.0 million during the three months ended June 30, 2023 and 2022, and $3.2 million and $1.9 million for the six months ended June 30, 2023 and 2022, respectively. Depreciable lives are generally 7 years, consistent with the Company's planned and historical usage of the equipment subject to operating leases.

9. Long-term Debt

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

	June 30, 2023	December 31, 2022
Term loans payable	$ —	$ 30,000
Less: Unamortized discount	—	(317)
	—	29,683
Less: Current portion of long-term debt	—	10,000
Long-term debt, net of discount	$ —	$ 19,683

Silicon Valley Bank Term Loan Agreement

In December 2022, the Company entered into a loan and security agreement (the "2022 SVB Credit Agreement") with Silicon Valley Bank ("SVB") in order to finance purchases of hardware to be leased to customers. The 2022 SVB Credit Agreement provided for an initial term loan advance of $30.0 million, which was approximately equivalent to the value of all hardware purchases made to support leasing transactions with the Company's customers through December 21, 2022 (the "SVB Closing Date"), with the opportunity to obtain, within 18 months after the SVB Closing Date, additional term loan advances, subject to the satisfaction of certain conditions, in an aggregate principal amount equal to $20.0 million (subject to an increase of an additional $25.0 million upon the satisfaction of certain conditions and approval from SVB). The interest rate applicable to the SVB Term Loans was the greater of (a) the Wall Street Journal Prime Rate plus 1.0% or (b) 7.25% per annum. Interest and principal under the SVB Credit Agreement was payable monthly.

On March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Corporation ("FDIC") as receiver. The FDIC created a successor bridge bank, Silicon Valley Bridge Bank, N.A. ("SVBB"), and all deposits of SVB were transferred to SVBB under a systemic risk exception approved by the Federal Reserve, the U.S. Treasury Department, and the FDIC. On March 12, 2023, the Federal Reserve, the U.S. Treasury Department, and the FDIC announced in a joint statement that all SVB deposits, including both insured and uninsured amounts, would be available in full to account holders. SVB was acquired by First Citizens Bank on March 27, 2023.

In light of the foregoing, on March 28, 2023, upon the recommendation of the Company's newly-formed Investment Committee of the Board of Directors, the Company (i) gave notice of its desire and intent to terminate the commitments under the 2022 SVB Credit Agreement and (ii) transferred its excess cash out of First Citizens Bank (the "Transfer"). The Transfer resulted in an event of default under the 2022 SVB Credit Agreement. Upon the occurrence of such event of default, First Citizens Bank could have, but was not required to, declare all obligations under the 2022 SVB

Credit Agreement immediately due and payable. First Citizens Bank did not make such declaration following such event of default.

On March 31, 2023, the Company fully repaid all borrowings and accrued interest under the 2022 SVB Credit Agreement and terminated the 2022 SVB Credit Agreement. In accordance with the terms of the 2022 SVB Credit Agreement, the Company was required to pay a prepayment premium equal to 1.0% of the principal balance on the date of repayment. The Company incurred a loss on debt extinguishment of $0.6 million, consisting of the prepayment penalty of $0.3 million and the write-off of $0.3 million of unamortized debt issuance costs.

10. Stock-Based Compensation

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 six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,	
	2023	**2022**
Risk-free interest rate	4.2 %	1.6 %
Expected term (in years)	6.1	6.1
Expected volatility	87.5 %	75.0 %
Expected dividend yield	0.0 %	0.0 %

The following table summarizes the Company’s stock option activity since December 31, 2022 (in thousands, except for share and per share data):

	Number of Shares	**Weighted Average Exercise Price**
Outstanding as of December 31, 2022	20,396,824	$ 0.73
Granted	2,840,421	3.12
Exercised	(875,780)	0.39
Forfeited	(20,468)	0.42
Outstanding as of June 30, 2023	22,340,997	1.05

Restricted Stock Units

The following table summarizes the Company's restricted stock units activity since December 31, 2022:

	Number of Shares	**Grant Date Fair Value**
Outstanding as of December 31, 2022	7,501,945	$ 3.54
Granted	7,742,983	3.25
Vested	(2,447,672)	3.40
Forfeited	(345,516)	3.75
Outstanding as of June 30, 2023	12,451,740	$ 3.38

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

Performance Stock Units

The following table summarizes the Company's performance stock units activity since December 31, 2022:

	Number of Shares	Grant Date Fair Value
Outstanding as of December 31, 2022	864,000	$ 2.65
Granted	—	—
Vested	(432,000)	2.65
Forfeited	(25,000)	2.65
Outstanding as of June 30, 2023	407,000	$ 2.65

Finback Common Stock Warrants

In January 2021, the Company granted warrants (the "Finback Common Stock Warrants") to purchase2,552,913 shares of the Company's Class A common stock at an exercise price of $0.42 per share to Finback Evolv OBH, LLC ("Finback"), a consulting group affiliated with one of the Company's stockholders. The Finback Common Stock Warrants vest upon meeting certain sales criteria as defined in a business development agreement (the "Finback BDA"), which has a term of 3 years. The Finback BDA expired on January 1, 2023 but includes a 1-year "tail period" expiring on January 1, 2024. During the tail period, Finback Common Stock Warrants will continue to vest related to any sale consummated by the Company for which it is determined Finback provided services prior to January 1, 2023 in furtherance of the sale. The Finback Common Stock Warrants 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.

During the six months ended June 30, 2023,830,216 Finback Common Stock Warrants were exercised. As of June 30, 2023, 175,599 Finback Common Stock Warrants were exercisable at a total aggregate intrinsic value of $1.0 million, and 1,415,385 Finback Common Stock Warrants are unvested and have a total unrecognized grant date fair value of $10.8 million. During the three months ended June 30, 2023 and 2022, the Company recorded $0.8 million and $0.6 million, respectively, of stock-based compensation expense within sales and marketing expense related to the Finback Common Stock Warrants. During the six months ended June 30, 2023 and 2022, the Company recorded $1.4 million and $0.8 million, respectively, of stock-based compensation expense within sales and marketing expense related to the 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue	$ 184	$ 280	$ 329	$ 388
Research and development	1,238	931	2,075	1,479
Sales and marketing	2,508	2,344	4,506	3,828
General and administrative	2,759	1,506	4,822	3,293
Total stock-based compensation expense	$ 6,689	$ 5,061	$ 11,732	$ 8,988

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

11. Income Taxes

There is no provision for income taxes for the three and six months ended June 30, 2023 and 2022 because the Company has historically incurred net operating losses and maintains a full valuation allowance against its deferred tax assets.

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.

12. 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net income (loss) attributable to common stockholders – basic and diluted	$ (66,754)	$ (25,686) $—	$ (95,363)	$ (39,487)
Denominator:				
Weighted average common shares outstanding - basic and diluted	148,882,160	143,552,032	147,664,534	143,220,268
Net loss per share attributable to common stockholders – basic and diluted	$ (0.45)	$ (0.18)	$ (0.65)	$ (0.28)

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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Options issued and outstanding	22,340,997	21,567,577	22,340,997	21,567,577
Public Warrants to purchase common stock	14,324,893	14,324,994	14,324,893	14,324,994
Warrants to purchase common stock (Finback)**	1,590,984	2,421,200	1,590,984	2,421,200
Unvested restricted stock units	12,451,740	7,446,143	12,451,740	7,446,143
Unvested performance stock units	407,000	914,000	407,000	914,000
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
	68,013,114	63,571,414	68,013,114	63,571,414

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

** Includes 175,599 vested warrants and 1,415,385 unvested warrants as of June 30, 2023

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

13. Related Party Transactions

Business Development Agreement with Finback

In January 2021, the Company granted the Finback Common Stock Warrants subject to the terms of the Finback BDA, as discussed in Note 10.

In connection with the Merger and pursuant to the Merger Agreement, in addition to earn-out shares allocated to Finback based on its common stock ownership percentage as of the Merger date, Finback is entitled to receive a proportional share of earn-out shares based upon its remaining unvested warrants as of the Merger Date.

Original Equipment Manufacturer Partnership Agreement with Motorola

In December 2020, the Company entered into an original equipment manufacturer partnership agreement with Motorola Solutions, Inc. ("Motorola"), an investor in the Company. The partnership agreement has since been amended and restated. 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 June 30, 2023 and 2022, revenue from Motorola's distributor services was $2.9 million and $1.9 million, respectively. During the six months ended June 30, 2023 and 2022, revenue from Motorola's distributor services was $6.2 million and $2.8 million, respectively. As of June 30, 2023 and December 31, 2022, accounts receivable related to Motorola’s distributor services was $3.0 million and $12.5 million, respectively.

Reseller Agreement with Stanley Black & Decker

In June 2020, the Company entered into a reseller agreement with Stanley Black & Decker, an investor in the Company. Stanley Black & Decker's electronic security business was acquired by Securitas AB ("Securitas") in 2023. Securitas, directly or through its affiliates, resells the Company's products. During the three months ended June 30, 2023 and 2022, revenue from Securitas' reseller services was $0.5 million and $0.3 million, respectively. During the six months ended June 30, 2023 and 2022, revenue from Securitas' reseller services was $0.9 million and $0.3 million, respectively. As of June 30, 2023 and December 31, 2022, accounts receivable related to Securitas' reseller services was $0.9 million and $2.2 million, respectively.

14. 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 June 30, 2023 or December 31, 2022.

Legal Proceedings and Other Matters

The Company is not a party to any litigation of a material nature 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.

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

In the ordinary course of business, the Company is subject to regulatory and governmental examinations, information gathering requests, inquiries and investigations We do not expect such examinations, requests, inquiries or investigations to have a material effect on our results of operations, financial condition or liquidity, either individually or in the aggregate.

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/A and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 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 2022 Form 10-K and in other parts of this Quarterly Report on Form 10-Q/A.

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").

As used in this Quarterly Report on Form 10-Q/A, 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.

The following information has been adjusted to reflect the restatement of our condensed consolidated financial statements as described in the "Explanatory Note" at the beginning of this Quarterly Report on Form 10-Q/A and in Note 1 to the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q/A.

Business Overview

We are a 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 750 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, hospitals, large industrial workplaces, schools, 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.

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 $19.8 million and $9.1 million for the three months ended June 30, 2023 and 2022, respectively. We generated a net loss of $66.8 million and $25.7 million for the three months ended June 30, 2023 and 2022, 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 cash generated from operations, and if necessary, debt financings. 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.*"

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 2022 Form 10-K.

General Economic and Market Conditions

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 and interest rates on business spending; supply chain issues and the impacts on our manufacturing capabilities; public health emergencies; the ongoing Russian invasion of Ukraine and related geopolitical impacts; and a possible prolonged 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 distribution capabilities. Our products are designed to empower venues and facilities to realize the full benefits of touchless security screening, including faster visitor throughput, reduced security staff requirements, and a less invasive screening experience for visitors. 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.

Sales Mix, Pricing, Product Cost and Margins

Revenue generated by the sale of products represented 37% and 46% of our total revenue for the three months ended June 30, 2023 and 2022, respectively. The remaining revenue was generated from subscription sales and services for our products, and an immaterial amount from license fees, as discussed below. Going forward, we expect our products to be adopted in a variety of vertical industry markets and geographic regions, primarily within the United States.

We continue to transition our go-to-market strategy to focus on our "pure subscription" sales model, where the customer leases our hardware, as opposed to purchasing the hardware outright, and enters into a multi-year security-as-a-service subscription. Accordingly, we expect subscription revenue as a percentage of total revenue to increase in future periods. We believe that the pure subscription model aligns more closely with the SaaS nature of our business and results in a more predictable and consistent recurring revenue stream as compared to the purchase subscription model. As part of this overall strategy, we entered into a distribution and license agreement in March 2023 (the "Distribution and License Agreement") with Columbia Electrical Contractors, Inc. ("Columbia Tech"), which currently serves as our primary contract manufacturer. Under this arrangement, we have granted a limited, non-exclusive license under our intellectual property rights to Columbia Tech, and Columbia Tech manufactures hardware systems and contracts directly with certain of our resellers to fulfill sales demand where the end-user customer requires the contract to be in form of a hardware purchase. Columbia Tech pays us a hardware license fee for each system sold under this agreement. In these instances, we still contract directly with the reseller to provide a multi-year security-as-a-service subscription to the end-users.

Pricing may 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 are a leader in AI-based weapons detection for security screening, offering transformative technologies that enable enhanced security, 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.

Components of Results of Operations

Revenue

We derive revenue from (1) subscription arrangements generally accounted for as operating leases, (2) the sale of products, inclusive of SaaS and maintenance, (3) professional services, and (4) license fees related to the Distribution and License Agreement. Our arrangements are generally noncancelable and nonrefundable after shipment to the customer. Revenue is recognized net of sales tax.

Product Revenue

We derive a portion of our revenue from the sale of our Evolv Express 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 over time as more customers enter full subscription transactions with us and as our subscription becomes more valuable to our business.

Subscription Revenue

Subscription revenue consists of revenue derived from leasing Evolv Express and Evolv 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, SaaS, 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 installation, training, SaaS, and maintenance and (2) any add-on accessories. Installation and training are included in services revenue as described below, and add-on accessories are included in product revenue as described above. Because the equipment lease, 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

Services revenue includes subscription-based SaaS and maintenance revenue related to products sold to customers, installation and training services, and license fees related to the Distribution and License Agreement. 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, which is typically four years. Revenue for installation and training are recognized upon transfer of control of these services, which are normally rendered over a short duration. License fee revenue is recognized upon the shipment of product from Columbia Tech to the reseller.

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 and other suppliers and shipping costs.

Cost of Subscription Revenue

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

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;
- Mix between purchase subscription sales and pure subscription sales;
- 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 continue to increase during the year ending December 31, 2023 primarily due to incremental investments in headcount and programs we are making to support our new product development efforts.

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 continue to increase during the year ending December 31, 2023 due to an expected increase in customer facing headcount as we build out our sales, business development, and customer support capabilities.

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 remain relatively consistent for the year ending December 31, 2023 compared to the year ended December 31, 2022 as we look to leverage previous investments made in people and processes.

Loss From Impairment of Property and Equipment

Loss from impairment of property and equipment relates to: (i) leased Evolv Edge units and Evolv Express prototype units that are removed from service and retired as we transition our domestic customers to our most current Evolv Express units and (ii) damaged or destroyed leased units.

Interest Expense

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

Interest Income

Interest income relates to interest earned on money market funds and treasury bills, and interest earned on our lease receivables for our Evolv Express units recognized as sales type leases.

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 stockholders are entitled to receive additional shares of our common stock upon us achieving certain milestones. The earn-out arrangement with the Legacy Evolv stockholders 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 stockholders owned 4,312,500 shares of NHIC Class B common stock (the "Founder Shares"). Upon the closing of the Merger, NHIC Class A and Class B common stock became the Company's common stock. 1,897,500 Founder Shares vested at the closing of the Merger, 1,897,500 Founder Shares are contingently issuable and shall vest upon the Company achieving certain milestones, and 517,500 Founder Shares were contributed to Give Evolv LLC. The 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 14,325,000 shares of common stock (the "Public Warrants") at an exercise price of $11.50. The Public Warrants are immediately exercisable and expire in July 2026. 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.

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 six months ended June 30, 2023 and 2022 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 June 30, 2023 and 2022

The following table summarizes our results of operations for the three months ended June 30, 2023 and 2022 (in thousands):

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Revenue:				
Product revenue	$ 7,243	$ 4,146	$ 3,097	75 %
Subscription revenue	7,964	4,006	3,958	99
Service revenue	4,618	918	3,700	403
Total revenue	19,825	9,070	10,755	119
Cost of revenue:				
Cost of product revenue	7,722	5,347	2,375	44
Cost of subscription revenue	3,406	1,981	1,425	72
Cost of service revenue	1,284	1,189	95	8
Total cost of revenue	12,412	8,517	3,895	46
Gross profit	7,413	553	6,860	1,241
Operating expenses:				
Research and development	6,395	4,156	2,239	54
Sales and marketing	13,613	11,751	1,862	16
General and administrative	10,874	9,612	1,262	13
Loss from impairment of property and equipment	157	316	(159)	(50)
Total operating expenses	31,039	25,835	5,204	20
Loss from operations	(23,626)	(25,282)	1,656	7
Other income (expense), net:				
Interest expense	—	(159)	159	100
Interest income	1,853	491	1,362	277
Other expense, net	(22)	—	(22)	*
Loss on extinguishment of debt	—	—	—	*
Change in fair value of contingent earn-out liability	(28,113)	(569)	(27,544)	(4,841)
Change in fair value of contingently issuable common stock liability	(5,095)	(24)	(5,071)	(21,129)
Change in fair value of public warrant liability	(11,751)	(143)	(11,608)	(8,117)
Total other income (expense), net	(43,128)	(404)	(42,724)	(10,575)
Net loss attributable to common stockholders – basic and diluted	$ (66,754)	$ (25,686)	$ (41,068)	(160) %

* Not meaningful

Revenue, Cost of Revenue and Gross Profit

Product Revenue

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	$ Change	% Change
Product revenue	$ 7,243	$ 4,146	$ 3,097	75 %
Cost of product revenue	$ 7,722	$ 5,347	$ 2,375	44 %
Gross profit - Product revenue	$ (479)	$ (1,201)	$ 722	60 %
Gross profit margin - Product revenue	(7)%	(29)%	N/A	22 %

The increases in product revenue and cost of product revenue are primarily due to the increase in product sales of Evolv Express units, which reflect an ongoing increase in the adoption of Evolv Express units by schools and healthcare facilities.

We believe there are several key trends that are continuing to drive 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 74 new customers during the three months ended June 30, 2023 compared to 53 new customers during the three months ended June 30, 2022, (iii) the expansion of our existing 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 increase in product gross profit and product gross profit margin during the three months ended June 30, 2023 compared to the prior year period is attributable primarily to higher average revenue per unit sold. These increases were tempered by (i) a continued 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 (single lane configurations typically generate lower gross profit than our dual lane configurations of Evolv Express due to a lower average sale price), and (ii) a higher percentage of sales made through our channel partners, which are generally at a lower average sale price. We expect to continue to see improvement in our gross profit margin as we continue to engineer our product with lower cost components.

Subscription Revenue

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	$ Change	% Change
Subscription revenue	$ 7,964	$ 4,006	$ 3,958	99 %
Cost of subscription revenue	$ 3,406	$ 1,981	$ 1,425	72 %
Gross profit - Subscription revenue	$ 4,558	$ 2,025	$ 2,533	125 %
Gross profit margin - Subscription revenue	57 %	51 %	N/A	7 %

The increases in subscription revenue, cost of subscription revenue, and subscription gross profit are primarily due to growth in our customer base and a higher number of active Evolv Express units deployed under our pure subscription contract model. Subscription gross profit margin increased primarily as the result of our ability to leverage our fixed costs over a higher revenue base.

Service Revenue

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Service revenue	$ 4,618	$ 918	$ 3,700	403 %
Cost of service revenue	$ 1,284	$ 1,189	$ 95	8 %
Gross profit - Service revenue	$ 3,334	$ (271)	$ 3,605	1,330 %
Gross profit margin - Service revenue	72 %	(30)%	N/A	102 %

The increase in service revenue is primarily due to the increased number of purchase subscription units deployed in the preceding year, as well as the increase in the number of installation and training services performed. Service gross profit margin increased primarily as the result of our ability to leverage our fixed costs over a higher revenue base.

Research and Development Expenses

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Personnel related (including stock-based compensation)	$ 4,313	$ 3,596	$ 717	20 %
Materials and prototypes	839	(109)	948	870 %
Professional fees	926	423	503	119 %
Other	317	246	71	29 %
	$ 6,395	$ 4,156	$ 2,239	54 %

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, offset by a higher amount of payroll costs capitalized related to internal-use software and software embedded in products to be sold or leased. Stock-based compensation expense included in research and development expenses was $1.2 million for the three months ended June 30, 2023 compared to $0.9 million for the three months ended June 30, 2022. The increase in materials and prototypes expense is due to increased design and engineering costs related to the development of the next generation of our Evolv Express system. The increase in professional fees primarily relates to consulting costs incurred for product development and engineering.

Sales and Marketing Expenses

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Personnel related (including stock-based compensation)	$ 10,258	$ 7,583	$ 2,675	35 %
Advertising and direct marketing	612	1,045	(433)	(41)%
Travel and entertainment	1,252	852	400	47 %
Professional fees	569	280	289	103 %
Other	922	1,991	(1,069)	(54)%
	$ 13,613	$ 11,751	$ 1,862	16 %

The increase in personnel related expenses is due to an increase in payroll costs, commissions and stock-based compensation resulting primarily from new hires in our sales and marketing functions during the past twelve months to support increase sales volume. Stock compensation expense included in sales and marketing expenses was $2.5 million for the three months ended June 30, 2023 compared to $2.3 million for the three months ended June 30, 2022. The decrease in advertising and direct marketing expense is primarily due to a decrease in expense related to trade shows and events. The increase in travel and entertainment expense is due to an increase in travel costs for in-person sales personnel meetings and events. Professional fees increased due primarily to an increase in marketing consulting costs. Other expense decreased due primarily to $1.0 million of certain one-time expenses incurred during the three months ended June 30, 2022.

General and Administrative Expenses

	Three Months Ended June 30,			
	2023	2022	$ Change	% Change
Personnel related (including stock-based compensation)	$ 6,113	$ 4,019	$ 2,094	52 %
Professional fees	1,504	2,042	(538)	(26) %
Director and officer insurance	1,093	1,380	(287)	(21) %
Other	2,164	2,171	(7)	— %
	$ 10,874	$ 9,612	$ 1,262	13 %

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. Stock compensation expense included in general and administrative expenses was $2.8 million for the three months ended June 30, 2023 compared to $1.5 million for the three months ended June 30, 2022. The decrease in professional fees is primarily related to a decrease in outsourced accounting consultancy fees. The decrease in insurance expense is primarily related to a decrease in director and officer insurance premiums. Other expense decreased primarily due to $1.2 million of certain one-time expenses incurred during the three months ended June 30, 2022, offset by increases in software subscriptions, non-income taxes, and other miscellaneous expenses.

Loss From Impairment of Property and Equipment

Loss from impairment of property and equipment was an immaterial $0.2 million and $0.3 million for the three months ended June 30, 2023 and 2022, respectively.

Interest Expense

Interest expense was $0 for the three months ended June 30, 2023, compared to $0.2 million for the three months ended June 30, 2022. During March 2023, the Company fully repaid all borrowings and accrued interest under its term loans with Silicon Valley Bank ("SVB") pursuant to a loan and security agreement entered into in December 2022 (the "2022 SVB Credit Agreement").

Interest Income

Interest income of $1.9 million for the three months ended June 30, 2023 and $0.5 million for the three months ended June 30, 2022 related primarily to interest earned on money market funds, and for the three months ended June 30, 2023, accretion of discounts on treasury bills.

Change in Fair Value of Contingent Earn-out Liability

Change in the fair value of the contingent earn-out liability resulted in losses of $28.1 million and $0.6 million for the three months ended June 30, 2023 and 2022, respectively, resulting from quarterly mark-to-market adjustments. The contingent earn-out liability was established in connection with the closing of the Merger.

Change in Fair Value of Contingently Issuable Common Stock Liability

Change in the fair value of the contingently issuable common stock liability resulted in losses of $5.1 million and less than $0.1 million for the three months ended June 30, 2023 and 2022, respectively, resulting from quarterly mark-to-market adjustments. The contingently issuable common stock liability was established in connection with the closing of the Merger.

Change in Fair Value of Public Warrant Liability

Change in the fair value of the public warrant liability resulted in losses of $11.8 million and $0.1 million for the three months ended June 30, 2023 and 2022, respectively, resulting from quarterly mark-to-market adjustments. The public warrant liability was established in connection with the closing of the Merger.

Comparison of the Six Months Ended June 30, 2023 and 2022

The following table summarizes our results of operations for the six months ended June 30, 2023 and 2022, (in thousands):

	Six Months Ended June 30,			
	2023	**2022**	**$ Change**	**% Change**
Revenue:				
Product revenue	$ 15,997	$ 9,340	$ 6,657	71 %
Subscription revenue	14,430	7,010	7,420	106
Service revenue	7,979	1,430	6,549	458
Total revenue	38,406	17,780	20,626	116
Cost of revenue:				
Cost of product revenue	18,300	10,553	7,747	73
Cost of subscription revenue	5,757	3,523	2,234	63
Cost of service revenue	2,171	2,254	(83)	(4)
Total cost of revenue	26,228	16,330	9,898	61
Gross profit	12,178	1,450	10,728	740
Operating expenses:				
Research and development	11,784	8,331	3,453	41
Sales and marketing	26,417	21,423	4,994	23
General and administrative	19,800	20,429	(629)	(3)
Loss from impairment of property and equipment	294	412	(118)	(29)
Total operating expenses	58,295	50,595	7,700	15
Loss from operations	(46,117)	(49,145)	3,028	6
Other income (expense), net:				
Interest expense	(654)	(301)	(353)	(117)
Interest income	2,806	559	2,247	402
Other expense, net	(3)	—	(3)	*
Loss on extinguishment of debt	(626)	—	(626)	*
Change in fair value of contingent earn-out liability	(31,431)	2,509	(33,940)	(1,353)
Change in fair value of contingently issuable common stock liability	(5,837)	1,448	(7,285)	(503)
Change in fair value of public warrant liability	(13,501)	5,443	(18,944)	(348)
Total other income (expense), net	(49,246)	9,658	(58,904)	(610)
Net loss	$ (95,363)	$ (39,487)	$ (55,876)	(142) %

* Not meaningful

Revenue, Cost of Revenue and Gross Profit

Product Revenue

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	$ Change	% Change
Product revenue	$ 15,997	$ 9,340	$ 6,657	71 %
Cost of product revenue	$ 18,300	$ 10,553	$ 7,747	73 %
Gross profit - Product revenue	$ (2,303)	$ (1,213)	$ (1,090)	(90) %
Gross profit margin - Product revenue	(14)%	(13)%	N/A	(1) %

The increases in product revenue and cost of product revenue are primarily due to the increase in product sales of Evolv Express units, which reflect an ongoing increase in the adoption of Evolv Express units by schools and healthcare facilities.

We believe there are several key trends that are continuing to drive 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 135 new customers during the six months ended June 30, 2023 compared to 97 new customers during the six months ended June 30, 2022, (iii) the expansion of our existing 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 product gross profit during the six months ended June 30, 2023 compared to the prior year period is attributable primarily to an increase in product sales as product gross profit margin remained relatively consistent between periods. Product gross profit margin improved during the three months ended June 30, 2023 (negative 7%) compared to the three months ended March 31, 2023 (negative 21%) primarily as the result of higher average revenue per unit sold. These increases were tempered by (i) continued 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 (single lane configurations typically generate lower gross profit than our dual lane configurations of Evolv Express due to a lower average sale price), and (ii) a higher percentage of sales made through our channel partners, which are generally at a lower average sale price. We expect to continue to see improvement in our gross profit margin as we continue to engineer our product with lower cost components.

Subscription Revenue

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	$ Change	% Change
Subscription revenue	$ 14,430	$ 7,010	$ 7,420	106 %
Cost of subscription revenue	$ 5,757	$ 3,523	$ 2,234	63 %
Gross profit - Subscription revenue	$ 8,673	$ 3,487	$ 5,186	149 %
Gross profit margin - Subscription revenue	60 %	50 %	N/A	10 %

The increases in subscription revenue, cost of subscription revenue, and subscription gross profit are primarily due to growth in our customer base and a higher number of active Evolv Express units deployed under our pure subscription contract model. Subscription gross profit margin increased primarily as the result of our ability to leverage our fixed costs over a higher revenue base.

Service Revenue

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Service revenue	$ 7,979	$ 1,430	$ 6,549	458 %
Cost of service revenue	$ 2,171	$ 2,254	$ (83)	(4)%
Gross profit - Service revenue	$ 5,808	$ (824)	$ 6,632	805 %
Gross profit margin - Service revenue	73 %	(58)%	N/A	130 %

The increase in service revenue is primarily due to the increased number of purchase subscription units deployed in the preceding year, as well as the increase in the number of installation and training services performed. Service gross profit margin increased primarily as the result of our ability to leverage our fixed costs over a higher revenue base.

Research and Development Expenses

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Personnel related (including stock-based compensation)	$ 8,160	$ 6,962	$ 1,198	17 %
Materials and prototypes	1,197	236	961	407 %
Professional fees	1,925	732	1,193	163 %
Other	502	401	101	25 %
	$ 11,784	$ 8,331	$ 3,453	41 %

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, offset by a higher amount of payroll costs capitalized related to internal-use software and software embedded in products to be sold or leased. Stock compensation expense included in research and development expenses was $2.1 million for the six months ended June 30, 2023 compared to $1.5 million for the six months ended June 30, 2022. The increase in materials and prototypes is due to design and engineering costs related to the next generation of our Evolv Express system. The increase in professional fees primarily relates to consulting costs incurred for product development and engineering.

Sales and Marketing Expenses

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Personnel related (including stock-based compensation)	$ 19,707	$ 13,613	$ 6,094	45 %
Advertising and direct marketing	1,827	2,889	(1,062)	(37) %
Travel and entertainment	2,142	1,538	604	39 %
Professional fees	1,094	552	542	98 %
Other	1,647	2,831	(1,184)	(42) %
	$ 26,417	$ 21,423	$ 4,994	23 %

The increase in personnel related expenses is due to an increase in payroll costs, commissions and stock-based compensation resulting primarily from new hires in our sales and marketing functions during the past twelve months to support increase sales volume. Stock compensation expense included in sales and marketing expenses was $4.5 million for the six months ended June 30, 2023 compared to $3.8 million for the six months ended June 30, 2022. The decrease in advertising and direct marketing expense is primarily due to a decrease in expense related to trade shows and events. The increase in travel and entertainment expense is due to an increase in travel costs for in-person sales personnel meetings and events. Professional fees increased due primarily to an increase in marketing consulting costs. Other expense decreased due primarily to $1.0 million of certain one-time expenses incurred during the six months ended June 30, 2022.

General and Administrative Expenses

	Six Months Ended June 30,			
	2023	2022	$ Change	% Change
Personnel related (including stock-based compensation)	$ 11,173	$ 7,965	$ 3,208	40 %
Professional fees	2,909	5,339	(2,430)	(46) %
Insurance costs	2,066	2,630	(564)	(21) %
Other	3,652	4,495	(843)	(19) %
	$ 19,800	$ 20,429	$ (629)	(3) %

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. Stock compensation expense included in general and administrative expenses was $4.8 million for the six months ended June 30, 2023 compared to $3.3 million for the six months ended June 30, 2022. The decrease in professional fees is primarily related to a decrease in outsourced accounting consultancy fees. The decrease in insurance expense is primarily related to a decrease in director and officer insurance premiums. Other expense decreased primarily due to $1.3 million of certain one-time expenses and a $0.4 million one-time payment to a former employee during the six months ended June 30, 2022, offset by increases in software subscriptions and other miscellaneous expenses.

Loss From Impairment of Property and Equipment

Loss from impairment of property and equipment was $0.3 million and $0.4 million for the six months ended June 30, 2023 and 2022, respectively.

Interest Expense and Loss on Extinguishment of Debt

Interest expense was $0.7 million for the six months ended June 30, 2023, compared to $0.3 million for the six months ended June 30, 2022. The increase was primarily due to interest expense incurred during the three months ended March 31, 2023 related to the Company's term loans with SVB pursuant to the 2022 SVB Credit Agreement. During March 2023, the Company fully repaid all borrowings and accrued interest under the 2022 SVB Credit Agreement and terminated the 2022 SVB Credit Agreement. In accordance with the terms of the 2022 SVB Credit Agreement, the Company was required to pay a prepayment premium equal to 1.0% of the principal balance on the date of repayment. The Company incurred a loss on debt extinguishment of $0.6 million, consisting of the prepayment penalty of $0.3 million and the write off of $0.3 million of unamortized debt issuance costs.

Interest Income

Interest income of $2.8 million for the six months ended June 30, 2023 and $0.6 million for the six months ended June 30, 2022 related primarily to interest earned on money market funds, and for the six months ended June 30, 2023, accretion of discounts on treasury bills.

Change in Fair Value of Contingent Earn-out Liability

Change in the fair value of the contingent earn-out liability resulted in a $31.4 million loss and a $2.5 million gain for the six months ended June 30, 2023 and 2022, respectively, resulting from quarterly mark-to-market adjustments. The contingent earn-out liability was established in connection with the closing of the Merger.

Change in Fair Value of Contingently Issuable Common Stock Liability

Change in the fair value of the contingently issuable common stock liability resulted in a $5.8 million loss and a $1.4 million gain for the six months ended June 30, 2023 and 2022, respectively, resulting from quarterly mark-to-market adjustments. The contingently issuable common stock liability was established in connection with the closing of the Merger.

Change in Fair Value of Public Warrant Liability

Change in the fair value of the public warrant liability resulted in a $13.5 million loss and a $5.4 million gain for the six months ended June 30, 2023 and 2022, respectively, resulting from quarterly mark-to-market adjustments. The public warrant liability was established in connection with the closing of the Merger.

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. As of June 30, 2023, we had $155.5 million in cash, cash equivalents, and marketable securities. We incurred a net loss of $66.8 million and $25.7 million for the three months ended June 30, 2023 and 2022, respectively, and a net loss of $95.4 million and $39.5 million for the six months ended June 30, 2023 and 2022, respectively. We incurred cash outflows from operating activities of $8.8 million and $52.5 million during the six months ended June 30, 2023 and 2022, respectively.

We maintain substantially all of our cash, cash equivalents, and marketable securities in accounts with a diverse set of U.S. and multi-national financial institutions and our cash deposits at these institutions exceed Federal Deposit Insurance Corporation insured limits. The Company does not believe it is exposed to any unusual credit risk or deposit concentration risk beyond the ordinary credit risk associated with commercial banking relationships.

We expect our cash, cash equivalents, and marketable securities, 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 the Original Report. 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 team. We may 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 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 and related international sanctions, 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.

Financing Arrangements

During March 2023, the Company fully repaid all borrowings and accrued interest under the 2022 SVB Credit Agreement and terminated the 2022 SVB Credit Agreement. The Company has no debt outstanding as of June 30, 2023.

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 June 30, 2023. We anticipate fulfilling such commitments with our existing cash, cash equivalents, and marketable securities, as well as cash and cash equivalents obtained through operations and, if necessary, proceeds from long-term debt. Cash, cash equivalents, and marketable securities amounted to $155.5 million as of June 30, 2023.

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 $0.3 million as a security deposit on the leased space which is classified as restricted cash, non-current on the condensed consolidated balance sheet as of June 30, 2023. Total future minimum lease payments under this noncancelable operating lease amount to $1.6 million.

Cash Flows

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

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net cash used in operating activities	$ (8,755)	$ (52,495)
Net cash used in investing activities	(64,117)	(12,680)
Net cash provided by (used in) financing activities	(29,988)	384
Effect of exchange rate changes on cash and cash equivalents	(33)	(10)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (102,893)	$ (64,801)

Operating Activities

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net loss	$ (95,363)	$ (39,487)
Non-cash (income) expense	68,230	2,632
Changes in operating assets and liabilities	18,378	(15,640)
Net cash used in operating activities	$ (8,755)	$ (52,495)

Net loss increased from $39.5 million for the six months ended June 30, 2022 to $95.4 million for the six months ended June 30, 2023 primarily due to changes in the fair value of the earn-out liability, contingently issuable common stock liability, and public warrant liability. See "Results of Operations" above for further discussion.

Non-cash expense for the six months ended June 30, 2023 is primarily attributable to $11.7 million of stock-based compensation expense, $4.1 million of depreciation and amortization, $0.6 million of loss from extinguishment of debt, and $50.8 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 income for the six months ended June 30, 2022 is primarily attributable to $9.4 million of an aggregate change in fair value of the earn-out liability, contingently issuable common stock liability, and public warrant liability, offset by $9.0 million of stock-based compensation expense and $2.4 million of depreciation and amortization.

Changes in operating assets and liabilities for the six months ended June 30, 2023 are primarily related to the following:

- $5.1 million decrease in inventory primarily due to a higher proportion of finished goods recorded as property and equipment based on our expectations of the future mix of Evolv Express units to be leased to customers versus sold to customers;
- $24.1 million increase in deferred revenue due to a higher volume of sales; *offset by*
- $7.4 million decrease in accounts payable (excluding the non-cash change in capital expenditures incurred but not yet paid from December 31, 2022 to June 30, 2023) primarily due to a decrease in inventory.

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

- $5.8 million increase in accounts receivable primarily due to higher sales driven by an increase in customers and the timing of billings to customers;
- $3.5 million increase in inventory primarily due to increased production of units to meet customer demand;
- $9.7 million increase in prepaid expense and other current assets primarily due to prepaid deposits related to orders placed for Evolv Express units; *offset by*
- $6.0 million increase in deferred revenue primarily due to an increase in billings associated with higher sales.

Investing Activities

During the six months ended June 30, 2023, cash used in investing activities was $64.1 million, consisting of $33.2 million for the purchase of property and equipment, primarily related to the purchase of Evolv Express units to be leased to customers, $1.6 million for the development of internal-use software and software embedded in products to be sold or leased, and $29.4 million related to purchases of marketable securities.

During the six months ended June 30, 2022, cash used in investing activities was $12.7 million, consisting of $11.4 million for the purchase of property and equipment, primarily related to the purchase of Evolv Express units to be leased to customers, and $1.3 million for the development of internal-use software.

Financing Activities

During the six months ended June 30, 2023, cash used in financing activities was $30.0 million, consisting of $1.9 million of proceeds under the 2022 SVB Credit Agreement and $0.3 million of proceeds from the exercise of stock options, offset by $31.9 million related to the full repayment of amounts owed under the 2022 SVB Credit Agreement and $0.3 million payment of debt issuance costs and a prepayment penalty.

During the six months ended June 30, 2022, cash provided by financing activities was $0.4 million, relating entirely to the exercise of stock options.

Recent Accounting Pronouncements

There were no new accounting pronouncements that were issued or became effective since the issuance of the 2022 Form 10-K that had, or are expected to have, a material impact on its consolidated financial position, results of operations or cash flows.

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” of the 2022 Form 10-K. There have been no material changes to our critical accounting policies and estimates during the three months ended June 30, 2023.

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.

Based on our public float as of June 30, 2023, we expect to become a large accelerated filer and lose emerging growth company status as of December 31, 2023. As of December 31, 2023, we will be required to adopt new or revised accounting standards when they are applicable to public companies that are not emerging growth companies.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

There have been no material changes in our market risks from the disclosure included under “Quantitative and Qualitative Disclosures About Market Risks” in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition" of the 2022 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Limitations on Effectiveness of 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.

Evaluation of Disclosure Controls and Procedures

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/A, 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 June 30, 2023, due to the material weaknesses in our internal control over financial reporting as described below.

Material Weaknesses in Internal Control Over Financial Reporting

We 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 weaknesses 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 financial statements for the three months ended March 31, 2022, as well as the restatement of the Company's financial statements as of and for the three and six months ended June 30, 2023 as described in Note 1. 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.
- We added finance personnel to the organization, including in fiscal 2022 a new 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 accounting and financial reporting.
- We have performed a financial statement risk assessment in order to identify material financial statement line items for which key controls are needed in order to ensure complete and accurate financial reporting. Additionally, we have engaged outside consultants to assist with the design and implementation of control activities resulting from the aforementioned risk assessment.
- We have designed and implemented additional review and training procedures within Evolv's accounting and finance functions to enhance knowledge and understanding of internal control over financial reporting.
- During the three months ended June 30, 2023, we implemented controls related to (i) the period-end financial reporting process and classification of various accounts in our consolidated financial statements, including the presentation and disclosure of items in the consolidated statements of cash flows, (ii) timely identification and accounting for non-routine, unusual and complex transactions, including controls over the preparation and review of accounting memorandum addressing these matters, (iii) 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, and (iv) completeness and accuracy of accounts payable and accrued liabilities.

Additionally, we are in the process of designing and implementing controls related to:

- the preparation and review of journal entries and account reconciliations to ensure proper segregation of duties;

- formal accounting policies, procedures and controls to achieve complete, accurate and timely financial accounting, reporting and disclosures; and
- 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 and 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 the remediation efforts described under “Remediation Plan for the Material Weaknesses” 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 June 30, 2023 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 14 (Commitments and Contingencies) to our condensed consolidated financial statements for the three and six months ended June 30, 2023.

ITEM 1A. RISK FACTORS

Other than as set forth below, there have been no material changes to the risk factors described in our 2022 Form 10-K. For a discussion of potential risks and uncertainties related to us, see Part I, Item 1A, "Risk Factors" of our 2022 Form 10-K.

We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain effective internal control over financial reporting, which may result in a material misstatement of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

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 earn-out 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 weaknesses 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 financial statements for the three months ended March 31, 2022, as well as the restatement of the Company's financial statements as of and for the three and six months ended June 30, 2023. 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 consolidated 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 continued implementation of a plan to remediate these material weaknesses. These remediation measures are ongoing and include hiring additional accounting, internal audit, 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 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 have performed a financial statement risk assessment in order to identify material financial statement line items for which key controls are needed in order to ensure complete and accurate financial reporting, and have engaged outside consultants to assist with the design and implementation of control activities resulting from the risk assessment. We have designed and implemented additional review and training procedures within Evolv's accounting and finance functions to enhance knowledge and understanding of internal control over financial reporting. We have designed and implemented controls related to (i) the period-end financial reporting process and the classification of various accounts in our consolidated financial statements, including the presentation and disclosure of items in the consolidated statements of cash flows, (ii) timely identification and accounting for non-routine, unusual or complex transactions, including controls over the preparation and review of accounting memoranda addressing these matters, (iii) 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 (iv) the completeness and accuracy of accounts payable and accrued liabilities. We are in the process of designing and implementing controls related to the preparation and review of journal entries and account reconciliations to ensure proper segregation of duties. 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. 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 Enterprise Resource Planning ("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.

As a public company, we are required, pursuant to Section 404(a) of the Sarbanes-Oxley Act, to furnish a report by management on the effectiveness of our internal control over financial reporting for each Annual Report on Form 10-K filed with the SEC. This assessment includes disclosure of any material weaknesses identified by our management in internal control over financial reporting. Once we cease to be an emerging growth company, our independent registered public accounting firm will also be required, pursuant to Section 404(a) of the Sarbanes-Oxley Act, to attest to the effectiveness of our internal control over financial reporting in each annual report on Form 10-K to be filed with the SEC. We are also required to disclose material changes made in our internal control over financial reporting on a quarterly basis. Failure to comply with the Sarbanes-Oxley Act could subject us to sanctions or investigations by the SEC, the stock exchange on which our securities are listed or other regulatory authorities, which would require additional financial and management resources. Compliance with Section 404 requires that we incur substantial costs and expend significant management efforts.

Any failure to implement new or improved controls, or difficulties encountered in their implementation, 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.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Unregistered Sales of Equity Securities

During the three months ended June 30, 2023, 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

Not applicable.

ITEM 5. OTHER INFORMATION

(a) None.

(b) None.

(c) Not applicable.

ITEM 6. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
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	
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.

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, 2023

EVOLV TECHNOLOGIES HOLDINGS, INC.

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

Exhibit 31.1

CERTIFICATION

I, Peter George, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A 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, 2023

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/A 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, 2023

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/A for the period ended June 30, 2023, 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, 2023

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/A for the period ended June 30, 2023, 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, 2023

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