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

# FORM 10-Q

**(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, 2024**

**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 7, 2024, there were157,550,036 shares of Class A common stock, par value $0.0001 per share, outstanding.

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## FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements contained in this Quarterly Report on Form 10-Q, other than statements of historical facts, 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, the potential benefits of our transition to a pure subscription model, timing and likelihood of success, macroeconomic and market trends, the impact of government regulations that we are subject to, our expectations regarding outcomes and impact of any legal proceedings, government investigation, or enforcement action (such as the current investigations by the FTC and the SEC), 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 statements use these words or expressions.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, without limitation risks relating to our history of losses and ability to reach profitability; our reliance on reseller partners to generate a growing portion of our revenue; 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 reliance on third party contract manufacturing and distribution, and a global supply chain; the Company recognizes a substantial portion of its revenue ratably over the term of its agreements, and, as a result, downturns or upturns in sales may not be immediately reflected in its operating results; 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; risks related to our business model, which is predicated, in part, on building a customer base that will generate a recurring stream of revenues through the sale of our subscription contracts; 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; the impact of fluctuating general economic and market conditions and reductions in spending; 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, 2023, as any such factors may be updated from time to time in its other filings with the Securities and Exchange Commission (the "SEC"). The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, it may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect.

We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

**GENERAL**

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

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

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 35,698 | $ 67,162 |
| Restricted cash | — | 275 |
| Marketable securities | 20,757 | 51,289 |
| Accounts receivable, net of allowance for expected credit losses of $ 785 and $582 as of June 30, 2024 and December 31, 2023, respectively * | 36,428 | 22,611 |
| Inventory | 18,604 | 9,507 |
| Current portion of contract assets | 1,690 | 3,707 |
| Current portion of commission asset | 4,810 | 4,339 |
| Prepaid expenses and other current assets | 19,912 | 16,954 |
| Total current assets | 137,899 | 175,844 |
| Restricted cash, noncurrent | 275 | — |
| Contract assets, noncurrent | 144 | 451 |
| Commission asset, noncurrent | 7,128 | 7,107 |
| Property and equipment, net | 120,045 | 112,921 |
| Operating lease right-of-use assets | 2,161 | 1,195 |
| Other assets | 865 | 1,202 |
| Total assets | $ 268,517 | $ 298,720 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 5,574 | $ 17,400 |
| Accrued expenses and other current liabilities | 15,913 | 15,578 |
| Current portion of deferred revenue | 56,168 | 47,677 |
| Current portion of operating lease liabilities | 1,754 | 1,391 |
| Total current liabilities | 79,409 | 82,046 |
| Deferred revenue, noncurrent | 23,655 | 23,813 |
| Operating lease liabilities, noncurrent | 566 | — |
| Contingent earn-out liability | 5,706 | 29,119 |
| Contingently issuable common stock liability | 2,256 | 6,530 |
| Public warrant liability | 3,852 | 10,889 |
| Total liabilities | 115,444 | 152,397 |
| Commitments and contingencies (Note 14) | | |
| | | |
| Stockholders' equity: | | |
| Preferred stock, $0.0001 par value; 100,000,000 authorized at June 30, 2024 and December 31, 2023; no shares issued and outstanding at June 30, 2024 and December 31, 2023 | — | — |
| Common stock, $0.0001 par value; 1,100,000,000 shares authorized at June 30, 2024 and December 31, 2023; 157,474,122 and 151,310,080 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively | 16 | 15 |
| Additional paid-in capital | 459,745 | 444,825 |
| Accumulated other comprehensive loss | (42) | (53) |
| Accumulated deficit | (306,646) | (298,464) |
| Stockholders' equity | 153,073 | 146,323 |
| Total liabilities and stockholders' equity | $ 268,517 | $ 298,720 |

* Includes related party accounts receivable, net of $2.9 million and $1.7 million as of June 30, 2024 and December 31, 2023, 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 INCOME (LOSS)**
**(In thousands, except share and per share amounts)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue: | | | | |
| Product revenue | $ 2,044 | $ 7,243 | $ 2,647 | $ 15,997 |
| Subscription revenue | 15,903 | 7,964 | 30,406 | 14,430 |
| Service revenue | 5,553 | 3,905 | 10,937 | 6,691 |
| License fee and other revenue | 2,040 | 713 | 3,218 | 1,288 |
| Total revenue * | 25,540 | 19,825 | 47,208 | 38,406 |
| Cost of revenue: | | | | |
| Cost of product revenue | 3,149 | 7,722 | 5,926 | 18,300 |
| Cost of subscription revenue | 6,436 | 3,406 | 12,215 | 5,757 |
| Cost of service revenue | 1,311 | 1,014 | 2,522 | 1,597 |
| Cost of license fee and other revenue | 172 | 270 | 301 | 574 |
| Total cost of revenue | 11,068 | 12,412 | 20,964 | 26,228 |
| Gross profit | 14,472 | 7,413 | 26,244 | 12,178 |
| Operating expenses: | | | | |
| Research and development | 5,722 | 6,395 | 11,927 | 11,784 |
| Sales and marketing | 16,892 | 13,613 | 32,897 | 26,417 |
| General and administrative | 14,185 | 10,874 | 26,025 | 19,800 |
| Loss from impairment of property and equipment | — | 157 | — | 294 |
| Total operating expenses | 36,799 | 31,039 | 70,849 | 58,295 |
| Loss from operations | (22,327) | (23,626) | (44,605) | (46,117) |
| Other income (expense), net: | | | | |
| Interest expense | — | — | — | (654) |
| Interest income | 681 | 1,853 | 1,766 | 2,806 |
| Other income (expense), net | (39) | (22) | (67) | (3) |
| Loss on extinguishment of debt | — | — | — | (626) |
| Change in fair value of contingent earn-out liability | 16,514 | (28,113) | 23,413 | (31,431) |
| Change in fair value of contingently issuable common stock liability | 3,747 | (5,095) | 4,274 | (5,837) |
| Change in fair value of public warrant liability | 4,886 | (11,751) | 7,037 | (13,501) |
| Total other income (expense), net | 25,789 | (43,128) | 36,423 | (49,246) |
| Net income (loss) | $ 3,462 | $ (66,754) | $ (8,182) | $ (95,363) |
| Net income (loss) attributable to common stockholders – basic and diluted (Note 12) | $ 3,421 | $ (66,754) | $ (8,182) | $ (95,363) |
| | | | | |
| Weighted average common shares outstanding | | | | |
| Basic | 156,473,080 | 148,882,160 | 154,774,899 | 147,664,534 |
| Diluted | 171,563,943 | 148,882,160 | 154,774,899 | 147,664,534 |
| Net income (loss) per share | | | | |
| Basic | $ 0.02 | $ (0.45) | $ (0.05) | $ (0.65) |
| Diluted | $ 0.02 | $ (0.45) | $ (0.05) | $ (0.65) |
| | | | | |
| Net income (loss) | $ 3,462 | $ (66,754) | $ (8,182) | $ (95,363) |
| Other comprehensive income (loss) | | | | |
| Cumulative translation adjustment | 8 | (17) | 11 | (33) |
| Total other comprehensive income (loss) | 8 | (17) | 11 | (33) |
| Total comprehensive income (loss) | $ 3,470 | $ (66,771) | $ (8,171) | $ (95,396) |

* Includes related party revenue of $2.0 million and $3.4 million for the three months ended June 30, 2024 and 2023, respectively, and $3.9 million and $7.0 million for the six months ended June 30, 2024 and 2023, 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, 2023** | 151,310,080 | $ 15 | $ 444,825 | $ (53) | $ (298,464) | $ 146,323 |
| Issuance of common stock upon net exercise of stock options | 519,089 | 1 | 301 | — | — | 302 |
| Issuance of common stock upon vesting of restricted stock units | 3,527,778 | — | — | — | — | — |
| Stock-based compensation cost | — | — | 6,605 | — | — | 6,605 |
| Cumulative translation adjustment | — | — | — | 3 | — | 3 |
| Net loss | — | — | — | — | (11,644) | (11,644) |
| **Balances at March 31, 2024** | 155,356,947 | $ 16 | $ 451,731 | $ (50) | $ (310,108) | $ 141,589 |
| Issuance of common stock upon net exercise of stock options | 823,047 | — | 335 | — | — | 335 |
| Issuance of common stock upon vesting of restricted stock units | 1,294,128 | — | — | — | — | — |
| Stock-based compensation cost | — | — | 7,679 | — | — | 7,679 |
| Cumulative translation adjustment | — | — | — | 8 | — | 8 |
| Net income | — | — | — | — | 3,462 | 3,462 |
| **Balances at Balances at June 30, 2024** | 157,474,122 | $ 16 | $ 459,745 | $ (42) | $ (306,646) | $ 153,073 |
| | | | | | | |
| **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 June 30, 2023** | 149,790,742 | $ 15 | $ 431,759 | $ (43) | $ (287,573) | $ 144,158 |

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, | |
|---|---|---|
| | **2024** | **2023** |
| **Cash flows from operating activities:** | | |
| Net loss | $ (8,182) | $ (95,363) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 7,442 | 4,087 |
| Write-off of inventory and change in inventory reserve | 1,725 | 337 |
| Loss from impairment of property and equipment | — | 294 |
| Stock-based compensation | 13,834 | 11,732 |
| Non-cash interest expense | — | 22 |
| Amortization (accretion) of premium (discount) on marketable securities, net of change in accrued interest | 181 | (242) |
| Non-cash lease expense | 728 | 432 |
| Change in allowance for expected credit losses | 203 | 173 |
| Loss on extinguishment of debt | — | 626 |
| Change in fair value of earn-out liability | (23,413) | 31,431 |
| Change in fair value of contingently issuable common stock | (4,274) | 5,837 |
| Change in fair value of public warrant liability | (7,037) | 13,501 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (14,020) | (646) |
| Inventory | (10,354) | 5,080 |
| Commission assets | (492) | (1,258) |
| Contract assets | 2,324 | (1,184) |
| Other assets | 337 | (43) |
| Prepaid expenses and other current assets | (2,958) | 580 |
| Accounts payable | (1,653) | (7,409) |
| Deferred revenue | 8,333 | 24,113 |
| Accrued expenses and other current liabilities | 79 | (342) |
| Operating lease liability | (765) | (513) |
| Net cash used in operating activities | (37,962) | (8,755) |
| **Cash flows from investing activities:** | | |
| Development of internal-use software | (3,408) | (1,599) |
| Purchases of property and equipment | (21,092) | (33,173) |
| Proceeds from sale of property and equipment | — | 60 |
| Purchases of marketable securities | (14,567) | (29,405) |
| Proceeds from maturities of marketable securities | 44,918 | — |
| Net cash provided by (used in) investing activities | 5,851 | (64,117) |
| **Cash flows from financing activities:** | | |
| Proceeds from exercise of stock options | 636 | 344 |
| 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 | 636 | (29,988) |
| Effect of exchange rate changes on cash and cash equivalents | 11 | (33) |
| Net decrease in cash, cash equivalents and restricted cash | (31,464) | (102,893) |
| **Cash, cash equivalents and restricted cash** | | |
| Cash, cash equivalents and restricted cash at beginning of period | 67,437 | 230,058 |
| Cash, cash equivalents and restricted cash at end of period | $ 35,973 | $ 127,165 |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for interest | $ — | $ 710 |
| **Supplemental disclosure of non-cash activities** | | |
| Transfer of property and equipment to inventory | $ 468 | $ 191 |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| Capital expenditures incurred but not yet paid | | 3,407 | | 13,572 |
| Capitalization of stock compensation | | 450 | | 218 |
| Finback exercise price | | — | | 348 |
| Operating lease liabilities arising from obtaining right-of-use assets | | 1,694 | | — |
| **Reconciliation of cash, cash equivalents and restricted cash:** | | | | |
| Cash and cash equivalents | $ | 35,698 | $ | 125,890 |
| Restricted cash | | — | | 1,000 |
| Restricted cash, noncurrent | | 275 | | 275 |
| Total cash, cash equivalents and restricted cash shown in the statements of cash flows | $ | 35,973 | $ | 127,165 |

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 leading security technology company pioneering AI-based screening designed to help create safer experiences, with key market categories that include education, healthcare, sports, and live entertainment.

The Company's solutions combine proprietary software and hardware, delivered as a long-term Software-as-a-Service subscription model. Its flagship product, Evolv Express®, uses advanced sensors, artificial intelligence powered software, and cloud services to reliably detect firearms, improvised explosives, and certain types of knives while ignoring many harmless items such as cell phones and keys. These solutions and services are designed to capture valuable visitor data customers can leverage to inform their security operations, while providing end-users with an approachable and non-intrusive security experience. The Company is headquartered in Waltham, Massachusetts.

As used in this Quarterly Report on Form 10-Q, unless otherwise indicated or the context otherwise requires, references to "we," "us," "our," the "Company" and "Evolv" refer to the consolidated operations of Evolv Technologies Holdings, Inc. and its wholly-owned subsidiaries, which include Evolv Technologies, Inc., Evolv Technologies UK Ltd. and Give Evolv LLC. References to "NHIC" refer to our legal predecessor, a special-purpose acquisition company, prior to the consummation of our business combination on July 16, 2021 (the "Merger"), and references to "Legacy Evolv" refer to Evolv Technologies, Inc. dba Evolv Technology, Inc. prior to the consummation of the Merger. The Merger was contemplated by the Agreement and Plan of Merger, dated March 5, 2021, with NHIC Sub Inc., NHIC, and Legacy Evolv, as amended by that certain First Amendment to Agreement and Plan of Merger dated June 5, 2021 (as amended, the "Merger Agreement").

***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, 2024, and for the three and six months ended June 30, 2024 and 2023 have been prepared on the same basis as the audited annual consolidated financial statements as of December 31, 2023 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, 2024 and the results of its operations for the three and six months ended June 30, 2024 and 2023 and cash flows for the six months ended June 30, 2024 and 2023. The results for the three and six months ended June 30, 2024 are not necessarily indicative of results to be expected for the year ending December 31, 2024, any other interim periods, or any future year or period.

***Reclassifications***

During the year ended December 31, 2023, the Company began classifying revenue from professional services, which includes installation, training, and event support, as well as other one-time revenue, within license fee and other revenue on the consolidated statements of operations and comprehensive loss, whereas the revenue for these services has previously been included in service revenue. Correspondingly, the Company began classifying costs associated with professional services within cost of license fee and other revenue, whereas these costs were previously included in cost of service revenue. These reclassifications were made to align the presentation of professional services with the Company's internal reporting and analysis. The reclassifications did not impact total revenue or total cost of revenue for any period. Prior year amounts included in this Quarterly Report on Form 10-Q have been reclassified to conform to the current presentation.

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

For the three and six months ended June 30, 2023, the reclassifications resulted in an increase in license fee and other revenue of $0.7 million and $1.3 million, respectively, and a corresponding decrease in service revenue, as well as an increase in cost of license fee and other revenue of $0.3 million and $0.6 million, respectively, and a corresponding decrease in cost of service revenue.

## 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, 2023, and the notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no material changes to the Company's significant accounting policies during the six months ended June 30, 2024.

***Recently Issued Accounting Pronouncements***

In November 2023, the FASB issued ASU 2023-07, *"Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures."* The updated accounting guidance requires enhanced reportable segment disclosures, primarily related to significant segment expenses which are regularly provided to the chief operating decision maker. The guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. Retrospective application is required and early adoption is permitted. The Company is currently evaluating the impact of this standard on the disclosures within the consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *"Income Taxes (Topic 740): Improvements to Income Tax Disclosures."* ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. Early adoption is permitted. A public entity should apply the amendments in ASU 2023-09 prospectively to all annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of this standard on the disclosures within the consolidated financial statements.

## 3. Marketable Securities

Marketable securities as of June 30, 2024 and December 31, 2023 consisted of the following:

| | June 30, 2024 | | |
|---|---|---|---|
| | **Amortized Cost** | **Unrealized Gain/(Loss)** | **Fair Value** |
| U.S. Treasury bills | $ 20,757 | $ — | $ 20,757 |
| Total marketable securities | $ 20,757 | $ — | $ 20,757 |

| | December 31, 2023 | | |
|---|---|---|---|
| | **Amortized Cost** | **Unrealized Gain/(Loss)** | **Fair Value** |
| U.S. Treasury bills | $ 51,289 | $ — | $ 51,289 |
| Total marketable securities | $ 51,289 | $ — | $ 51,289 |

Marketable securities at June 30, 2024 and December 31, 2023 are comprised solely of zero coupon U.S. treasury bills with maturities of greater than three months but less than one year that are classified as available-for-sale debt securities. Unrealized gains or losses were not material for each of the three and six months ended June 30, 2024 and 2023. The accretion of discounts on marketable securities is included in interest income on the condensed consolidated statements of operations and comprehensive income.

**4. Fair Value Measurements**

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

| | Fair Value Measurements at June 30, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds | $ 28,025 | $ — | $ — | $ 28,025 |
| Treasury bills | — | 20,757 | — | 20,757 |
| | $ 28,025 | $ 20,757 | $ — | $ 48,782 |
| Liabilities: | | | | |
| Contingent earn-out liability | $ — | $ — | $ 5,706 | $ 5,706 |
| Contingently issuable common stock liability | — | — | 2,256 | 2,256 |
| Public Warrant liability | 3,852 | — | — | 3,852 |
| | $ 3,852 | $ — | $ 7,962 | $ 11,814 |

| | Fair Value Measurements at December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Money market funds | $ 57,829 | $ — | $ — | $ 57,829 |
| Treasury bills | — | 51,289 | — | 51,289 |
| | $ 57,829 | $ 51,289 | $ — | $ 109,118 |
| Liabilities: | | | | |
| Contingent earn-out liability | $ — | $ — | $ 29,119 | $ 29,119 |
| Contingently issuable common stock liability | — | — | 6,530 | 6,530 |
| Public Warrant liability | 10,889 | — | — | 10,889 |
| | $ 10,889 | $ — | $ 35,649 | $ 46,538 |

Money market funds are included in cash and cash equivalents on the condensed consolidated balance sheets. As of June 30, 2024 and December 31, 2023, all outstanding treasury bills, which totaled $20.8 million and $51.3 million, respectively, had original maturities greater than 3 months and 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.

The carrying amounts of cash and cash equivalents, accounts receivable, restricted cash, accounts payable, accrued liabilities, and other accrued expenses approximate fair value because of their short maturity.

During each of the six months ended June 30, 2024 and 2023, 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, 2023. 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, 2024, 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, 2024 were as follows: 87.5% expected stock price volatility, a risk-free rate of return of4.8%, a 25% likelihood of change in control and a remaining term of 1.7 years.

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

| | | |
|---|---|---|
| **Balance at December 31, 2023** | $ | 29,119 |
| Change in fair value | | (23,413) |
| **Balance at June 30, 2024** | $ | 5,706 |

The decrease in fair value of the contingent earn-out liability is primarily due to lowered probability to achieve the stock price milestones based on the Company's current stock price and a shorter remaining term.

*Valuation of Contingently Issuable Common Stock*

Prior to the Merger, certain NHIC stockholders owned 4,312,500 shares of NHIC Class B common stock which were converted into shares of the Company's stock in connection with the Merger (the "Founder Shares"). Of these shares, 1,897,500 shares vested at the closing of the Merger, 517,500 shares were transferred back to NHIC and then contributed to Give Evolv LLC, and the remaining 1,897,500 outstanding shares will 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, 2023. 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, 2024, 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, 2024 were as follows: 85% expected stock price volatility, a risk-free rate of return of4.7%, a 25% likelihood of change in control and a remaining term of 2.0 years.

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

| | | |
|---|---|---|
| **Balance at December 31, 2023** | $ | 6,530 |
| Change in fair value | | (4,274) |
| **Balance at June 30, 2024** | $ | 2,256 |

*Valuation of Public Warrant Liability*

In connection with the closing of the Merger, the Company assumed warrants 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. 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, 2024, 14,324,893 Public Warrants are outstanding.

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

| | | |
|---|---|---|
| **Balance at December 31, 2023** | $ | 10,889 |
| Change in fair value | | (7,037) |
| **Balance at June 30, 2024** | $ | 3,852 |

**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, including SaaS and maintenance, (2) the sale of products, (3) SaaS and maintenance related to products sold to customers either by Evolv or by Columbia Tech pursuant to the Distribution and License Agreement (as defined below), (4) license fees related to the Distribution and License Agreement (as defined below),and (5) professional services, including installation, training, and event support. Maintenance consists of preventative maintenance, technical support, bug fixes, and when-and-if available threat updates. Our arrangements are generally noncancelable and nonrefundable after ownership passes to the customer. Revenue is recognized net of sales tax.

*Distribution and License Agreement*

In March 2023, the Company entered into a distributor licensing agreement (the "Distribution and License Agreement") with Columbia Electrical Contractors, Inc. ("Columbia Tech"). Columbia Tech, a wholly-owned subsidiary of Coghlin Companies, which serves as the Company's primary contract manufacturer. Under this arrangement, the Company has granted a license of its intellectual property to Columbia Tech, which contracts directly with certain of the Company's resellers to fulfill sales demand where the end-user customer prefers to purchase the hardware equipment as opposed to lease the equipment. Columbia Tech pays the Company a hardware license fee for each system it manufactures and sells under the agreement. In these instances, the Company still contracts directly with the reseller to provide a multi-year SaaS and maintenance subscription to the end-users.

The Company has assessed whether it operates as the principal or as an agent in relation to the sale of product made by Columbia Tech to the Company's resellers pursuant to the Distribution and License Agreement. The Company considered various factors, including but not limited to, inventory risk, discretion in establishing pricing, and which entity is primarily responsible for fulfillment. Based on an evaluation of the facts and circumstances, the Company concluded that Columbia Tech is the principal in the arrangement. The Company therefore does not recognize revenue in relation to sales of product pursuant to the Distribution and License Agreement, but does recognize revenue in relation to license fees received from Columbia Tech and the SaaS and maintenance subscription contracts.

*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, 2024:

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| | Less than 1 year | 1 - 2 years | More than 2 years | Total |
|---|---|---|---|---|
| Product revenue | $ 1,670 | $ — | $ — | $ 1,670 |
| Subscription revenue | 67,956 | 59,326 | 63,842 | 191,124 |
| Service revenue | 24,238 | 23,019 | 21,076 | 68,333 |
| License fee and other revenue | 1,789 | 10 | 21 | 1,820 |
| Total revenue | $ 95,653 | $ 82,355 | $ 84,939 | $ 262,947 |

The amount of minimum future leases is based on expected income recognition.As of June 30, 2024, future minimum payments on noncancelable leases are as follows (in thousands):

| **Year Ending December 31:** | |
|---|---|
| 2024 (six months remaining) | $ 34,992 |
| 2025 | 63,964 |
| 2026 | 52,682 |
| 2027 | 32,219 |
| 2028 | 7,133 |
| Thereafter | 134 |
| | $ 191,124 |

*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, 2024 and December 31, 2023, the Company had $1.7 million and $3.7 million in current portion of contract assets and $0.1 million and $0.5 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 $14.1 million and $31.4 million during the three and six months ended June 30, 2024, respectively, that was included in the December 31, 2023 deferred revenue balance. The Company recognized revenue of $5.3 million and $12.1 million during the three and six months ended June 30, 2023, respectively, that was included in the December 31, 2022 deferred revenue balance.

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

| | | |
|---|---|---|
| **Balance at December 31, 2023** | $ | 71,490 |
| Revenue recognized in relation to the beginning of the year contract liability balance | | (31,445) |
| Revenue deferred | | 39,778 |
| **Balance at June 30, 2024** | $ | 79,823 |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Interest income on lease receivables | $ 41 | $ 51 | $ 83 | $ 104 |
| Lease income - operating leases | 15,903 | 7,964 | 30,406 | 14,430 |
| Total lease revenue | $ 15,944 | $ 8,015 | $ 30,489 | $ 14,534 |

Interest income on lease receivables is classified under interest income in the condensed consolidated statements of operations and comprehensive loss. 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 $0.3 million and less than $0.1 million during the three months ended June 30, 2024 and June 30, 2023, respectively. Revenue related to leases entered into with related parties were $0.6 million and $0.2 million during the six months ended June 30, 2024 and June 30, 2023, respectively.

*Disaggregated Revenue*

The following table presents the Company's revenue by revenue stream (in thousands). Certain prior period amounts have been reclassified to conform to current period presentation:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Product revenue | $ 2,044 | $ 7,243 | $ 2,647 | $ 15,997 |
| Subscription revenue | 15,903 | 7,964 | 30,406 | 14,430 |
| Service revenue | 5,553 | 3,905 | 10,937 | 6,691 |
| License fees | 1,717 | — | 2,441 | — |
| Professional services and other revenue | 323 | 713 | 777 | 1,288 |
| Total revenue | $ 25,540 | $ 19,825 | $ 47,208 | $ 38,406 |

*Commissions*

The Company incurs and pays commissions on sales of its products and services. The Company applies the practical expedient for contracts less than one year in duration 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 $11.9 million and $11.4 million as of June 30, 2024 and December 31, 2023, respectively. During the three months ended June 30, 2024 and 2023, the Company recognized commission expense of $1.6 million and $1.5 million, respectively. During the six months ended June 30, 2024 and 2023, the Company recognized commission expense of $3.0 million and $3.1 million, respectively.

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## 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, 2023** | $ (582) |
| Provisions | (206) |
| Write-offs, net of recoveries | 3 |
| **Balance at June 30, 2024** | $ (785) |

## 7. Inventory

Inventory consisted of the following (in thousands):

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Raw materials | $ 2,974 | $ 1,869 |
| Finished goods | 15,630 | 7,638 |
| Total | $ 18,604 | $ 9,507 |

## 8. Property and Equipment, Net

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

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Computers and telecom equipment | $ 1,574 | $ 1,331 |
| Lab equipment | 4,494 | 1,171 |
| Furniture and fixtures | 111 | 111 |
| Leasehold improvements | 592 | 566 |
| Leased equipment | 97,746 | 80,206 |
| Capitalized software | 12,396 | 8,629 |
| Sales demo equipment | 3,180 | 2,758 |
| Equipment held for lease[1] | 22,739 | 32,910 |
| Construction in progress | 1,415 | 2,493 |
| | 144,247 | 130,175 |
| Less: Accumulated depreciation and amortization | (24,202) | (17,254) |
| | $ 120,045 | $ 112,921 |

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

As of June 30, 2024 and December 31, 2023, the net book value of capitalized software was $10.1 million and $7.0 million, respectively. These amounts include $1.2 million and $0.7 million of capitalized stock compensation costs, respectively. Depreciation and amortization expense related to property and equipment was $4.0 million and $2.3 million for the three months ended June 30, 2024 and 2023, respectively, which included amortization expense of capitalized software of $0.3 million and $0.2 million, respectively. Depreciation and amortization expense related to property and equipment was $7.4 million and $4.1 million for the six months ended June 30, 2024 and 2023, respectively, which included amortization expense of capitalized software of $0.6 million and $0.4 million for the six months ended June 30, 2024 and 2023, respectively.

Leased equipment and the related accumulated depreciation were as follows:

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Leased equipment | $ 97,746 | $ 80,206 |
| Accumulated depreciation | (18,896) | (13,283) |
| Leased equipment, net | $ 78,850 | $ 66,923 |

Depreciation expense related to leased units was $3.2 million and $1.8 million during the three months ended June 30, 2024 and 2023, respectively, and $6.1 million and $3.2 million during the six months ended June 30, 2024 and 2023, respectively. Depreciable lives are generally 7 years, consistent with the Company's planned and historical usage of the equipment subject to operating leases.

The Company did not record any loss from impairment of property and equipment during the three and six months ended June 30, 2024 and recorded $0.2 million and $0.3 million of loss from impairment of property and equipment during the three and six months ended June 30, 2023, respectively. This primarily related to the removal of Evolv Edge units and Evolv Express prototypes from service, resulting in an impairment of the remaining economic value of such units.

**9. Long-term Debt**

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. On March 10, 2023, SVB was closed by California state regulators and the FDIC was appointed as receiver. Subsequently, 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. During the six months ended June 30, 2023, 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. The Company had no long-term debt as of June 30, 2024 and December 31, 2023.

**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, 2024 and 2023:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| Risk-free interest rate | 4.1% | 4.2% |
| Expected term (in years) | 6.1 | 6.1 |
| Expected volatility | 90.0% | 87.5% |
| Expected dividend yield | 0.0% | 0.0% |

The following table summarizes the Company’s stock option activity since December 31, 2023 (in thousands, except for share and per share data):

| | Number of Shares | Weighted Average Exercise Price |
|---|---|---|
| Outstanding as of December 31, 2023 | 20,324,528 | $ 1.04 |
| Granted | 2,725,625 | 3.63 |
| Exercised | (1,342,136) | 0.48 |
| Forfeited | (13,085) | 0.42 |
| Expired | (13,141) | 0.42 |
| Outstanding as of June 30, 2024 | 21,681,791 | $ 1.40 |

*Restricted Stock Units*

The following table summarizes the Company's restricted stock units activity since December 31, 2023:

| | Number of Shares | Grant Date Fair Value |
|---|---|---|
| Nonvested as of December 31, 2023 | 13,046,679 | $ 3.49 |
| Granted | 8,422,954 | 3.57 |
| Vested | (4,441,906) | 3.44 |
| Forfeited | (910,339) | 3.74 |
| Nonvested as of June 30, 2024 | 16,117,388 | $ 3.54 |

*Performance Stock Units*

The following table summarizes the Company's performance stock units activity since December 31, 2023:

| | Number of Shares | Grant Date Fair Value |
|---|---|---|
| Nonvested as of December 31, 2023 | 380,000 | $ 2.64 |
| Granted | — | — |
| Vested | (380,000) | 2.64 |
| Forfeited | — | — |
| Nonvested as of June 30, 2024 | — | $ — |

*Finback Common Stock Warrants*

In January 2021, the Company granted equity classified 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 had a term of 3 years. The Finback BDA expired on January 1, 2023 but included a 1-year “tail period” expiring on January 1, 2024. During the tail period, the Finback Common Stock Warrants continued to vest related to any sale consummated by the Company for which it was 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.

As of June 30, 2024, 117,423 Finback Common Stock Warrants were exercisable at a total aggregate intrinsic value of $0.3 million, and there were no Finback Common Stock Warrants that were unvested, given the expiration of the 1-year tail period on January 1, 2024. The Company recognized compensation expense for the Finback Common Stock Warrants when the warrants vested based on meeting the specified sales criteria. During the three and six months ended June 30, 2024, there was no stock-based compensation expense within sales and marketing expense related to the Finback Common Stock Warrants. During the three and six months ended June 30, 2023, the Company recorded $0.8 million and $1.4 million of stock-based compensation expense, respectively, 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, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Cost of revenue | $ 173 | $ 184 | $ 311 | $ 329 |
| Research and development | 1,219 | 1,238 | 2,101 | 2,075 |
| Sales and marketing | 2,724 | 2,508 | 5,683 | 4,506 |
| General and administrative | 3,308 | 2,759 | 5,739 | 4,822 |
| Total stock-based compensation expense | $ 7,424 | $ 6,689 | $ 13,834 | $ 11,732 |

**11. Income Taxes**

There is no provision for income taxes for the three and six months ended June 30, 2024 and 2023 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 Income (Loss) per Share**

In periods in which the Company reported net income, net income attributable to common stockholders is computed using the two-class method as the Founder Shares are classified as participating securities containing rights to receive dividends. In accordance with the two-class method, a portion of net income is allocated to participating securities and excluded from the calculation of income allocated to common stock.

Basic net income (loss) per share is calculated by dividing net income (loss) attributable to common stockholders by the weighted average shares outstanding during the period. Diluted net income (loss) per share is calculated by adjusting weighted average shares outstanding for the dilutive effect of potential common shares, determined using the treasury stock

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net income (loss) | $ 3,462 | $ (66,754) | $ (8,182) | $ (95,363) |
| Reallocation of net income attributable to participating securities | (41) | — | — | — |
| Net income (loss) attributable to common stockholders – basic and diluted | $ 3,421 | $ (66,754) | $ (8,182) | $ (95,363) |
| Denominator: | | | | |
| Weighted average common shares outstanding – basic | 156,473,080 | 148,882,160 | 154,774,899 | 147,664,534 |
| Weighted average effect of potentially dilutive securities: | | | | |
| Stock options | 13,047,919 | — | — | — |
| Restricted stock units | 1,940,411 | — | — | — |
| Finback Common Stock Warrants | 102,533 | — | — | — |
| Total potentially dilutive securities | 15,090,863 | — | — | — |
| Weighted average common shares outstanding – diluted | 171,563,943 | 148,882,160 | 154,774,899 | 147,664,534 |
| Net income (loss) per share attributable to common stockholders - basic | $ 0.02 | $ (0.45) | $ (0.05) | $ (0.65) |
| Net income (loss) per share attributable to common stockholders - diluted | $ 0.02 | $ (0.45) | $ (0.05) | $ (0.65) |

The following potentially dilutive outstanding securities were excluded from the computation of diluted net income (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, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Options issued and outstanding | 7,237,746 | 22,340,997 | 21,681,791 | 22,340,997 |
| Public Warrants to purchase common stock | 14,324,893 | 14,324,893 | 14,324,893 | 14,324,893 |
| Warrants to purchase common stock (Finback) | — | 1,590,984 | 117,423 | 1,590,984 |
| Unvested restricted stock units | 8,843,186 | 12,451,740 | 16,117,388 | 12,451,740 |
| Unvested performance stock units | — | 407,000 | — | 407,000 |
| 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 |
| | 47,303,325 | 68,013,114 | 69,138,995 | 68,013,114 |

* 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

## 13. Related Party Transactions

*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, 2024 and 2023, revenue from Motorola's distributor services was $2.0 million and $2.9 million, respectively. During the six months ended June 30, 2024 and 2023, revenue from Motorola's distributor services was $3.9 million and $6.2 million, respectively. As of June 30, 2024 and December 31, 2023, accounts receivable related to Motorola’s distributor services was $2.9 million and $1.2 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. Effective in the first quarter of 2024, while the reseller agreement is still in effect, Securitas is no longer considered a related party. During the three and six months ended June 30, 2023, revenue from Securitas' reseller services was $0.5 million and $0.9 million, respectively. As of December 31, 2023, accounts receivable related to Securitas' reseller services was $0.6 million.

## 14. Commitments and Contingencies

*Indemnification Agreements*

In the ordinary course of business, the Company provides 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 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. The Company has not incurred or accrued for any material costs as a result of such indemnifications in its condensed consolidated financial statements as of June 30, 2024 or December 31, 2023.

*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.

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.

The Company has identified certain claims as a result of which a loss may be incurred. This assessment is based on our current understanding of relevant facts and circumstances. As such, our view of these matters is subject to inherent uncertainties and may change in the future. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. Actual outcomes of these legal and regulatory proceedings may materially differ from our current estimates. Except for the regulatory matters discussed below, based upon information presently known to management, the Company has not accrued a loss for any other legal matters, as a loss is not probable and reasonably estimable. The pending proceedings involve complex questions of fact and law and may require the expenditure of significant funds and the diversion of other resources. The results of legal proceedings are inherently uncertain, and material adverse outcomes are reasonably possible.

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

In March 2024, an Evolv shareholder filed in the U.S. District Court for the District of Massachusetts a putative class action lawsuit, captioned Raby v. Evolv Technologies Holdings, Inc., et al. case number 1:24-cv-10761, alleging that Evolv and certain of its current and former executives and other individuals violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on alleged misstatements concerning the Company’s products. This litigation is in the preliminary stages, and the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties. The Company intends to vigorously defend itself in this matter.

*Regulatory and Governmental Matters*

In the ordinary course of business, the Company is subject to regulatory and governmental examinations, information gathering requests, inquiries, and investigations. The U.S. Federal Trade Commission (“FTC”) has requested information about certain aspects of the Company's marketing practices. The Company is cooperating with the investigation and has provided documentation and information responsive to the FTC inquiry. Further, in February 2024, we received a subpoena from the SEC, Division of Enforcement, requesting that we produce certain documents and information. We are cooperating and intend to continue to cooperate with the SEC's investigation.

In view of the inherent unpredictability of such regulatory and governmental matters, the Company cannot determine with certainty the timing or ultimate resolution of legal and regulatory matters or the eventual loss, fines or penalties, if any, that may result from such matters. The Company establishes reserves for such matters when those matters present loss contingencies that are both probable and can be reasonably estimated. The actual costs of resolving such matters, however, may be substantially higher than the amounts reserved for those matters, and an adverse outcome in certain of these matters could have a material adverse effect on the condensed consolidated financial statements in particular quarterly or annual periods. The Company accrues amounts for certain matters for which losses are considered to be probable of occurring based on its reasonable estimate of the most likely outcome. It is reasonably possible actual losses could be significantly different from the Company's current estimates. In addition, there are some matters for which it is reasonably possible that a loss will occur, however the Company cannot estimate a range of the potential losses for these matters.

Any resolution or litigation with the FTC, the SEC or other parties, could ultimately result in monetary and injunctive relief that may impose costs on the Company and/or require it to make changes to its business practices. These costs and requirements may be material both individually and in the aggregate. As of June 30, 2024, we have accrued $1.1 million for such matters. These amounts were recorded in other accrued liabilities in the condensed consolidated balance sheets and the associated expenses were recorded in general and administrative expenses in the condensed consolidated statements of operations. There can be no assurance as to the timing or the terms of the ultimate outcome of these investigations. Actual loss can be significantly greater or less than our estimated accrual. Legal fees incurred in connection with ongoing legal matters are considered period costs and are expensed as incurred.

We can offer no assurances as to the outcome of these investigations or their potential effect, if any, on us or our results of operations. There can be no assurance whether there will be further information requests or potential enforcement action or litigation, which is necessarily uncertain.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 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 2023 Form 10-K and in other parts of this Quarterly Report on Form 10-Q.*

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

**Business Overview**

We are a leading security technology company pioneering AI-based screening designed to help create safer experiences, with key market categories that include education, healthcare, sports, and live entertainment.

Our solutions combine proprietary software and hardware, delivered as a long-term Software-as-a-Service subscription model. Our flagship product, Evolv Express®, uses advanced sensors, artificial intelligence powered software, and cloud services to reliably detect firearms, improvised explosives, and certain types of knives while ignoring many harmless items such as cell phones and keys. Our solutions and services are designed to capture valuable visitor data customers can leverage to inform their security operations, while providing end-users with an approachable and non-intrusive security experience.

Our products have screened over 1.5 billion 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 primarily under 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 $25.5 million and $19.8 million for the three months ended June 30, 2024 and 2023, respectively. We generated operating losses for the three months ended June 30, 2024 and 2023 of $22.3 million and $23.6 million, 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.*" Additionally, as discussed in Note 14 (Commitments and Contingencies) to our condensed consolidated financial statements for the three months ended June 30, 2024, certain legal proceedings, including government investigations, have been initiated involving us. Given the uncertainty of such matters, no assurance can be given regarding the final outcome of such matters. During the three months ended June 30, 2024, we accrued $1.1 million related to such matters. However, the ultimate amount or range of potential loss, which might result to the Company may differ materially from our current estimates.

### 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 2023 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; geopolitical conflicts and war, including the conflicts in Europe and the Middle East; and recessionary trends. See the risk factor titled "*Downturns in general economic and market conditions and reductions in spending may reduce demand for our products and services and may impact third parties on which we rely, which could harm our revenue, results of operations, and cash flows, and could make it difficult to predict revenue for a particular period*" in Item 1A of our 2023 Form 10-K. 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 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 a rapid visitor throughput and minimal security staff to screened visitor physical contact. We expect that our results of operations, including revenue, will fluctuate for the foreseeable future as venues and facilities continue to shift away from conventional security screening processes towards touchless security screening or consider security screening processes for the first time. The degree to which potential and current customers recognize these benefits and invest in our products will affect our financial results.

***Sales Mix, Pricing, Product Cost and Margins***

We sell our solutions under two primary sales models. We offer a "pure subscription" model, where the customer leases hardware from us and we provide a multi-year security-as-a-service subscription. For end-user customers that prefer to purchase our hardware outright, we offer our "distributor licensing" model based on the Distribution and License Agreement we entered into with Columbia Electrical Contractors, Inc. ("Columbia Tech") in March of 2023. Columbia Tech, a wholly-owned subsidiary of Coghlin Companies, currently serves as our primary contract manufacturer. Under this arrangement, we have granted a license of our intellectual property to Columbia Tech, which contracts directly with certain of our resellers to fulfill sales demand where the end-user customer prefers to purchase the hardware equipment. Columbia Tech pays us a hardware license fee for each system it manufactures and sells 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.

We also have historically sold our systems under a purchase subscription model, where customers purchase the hardware from us, and we provide a multi-year security-as-a-service subscription. However, we do not plan to offer this sales model in future periods to our existing or new customers, except in limited circumstances.

Going forward, we expect our products to be adopted in a variety of vertical industry markets and geographic regions, primarily within the United States. Pricing may vary by region or vertical market 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 leading security technology company pioneering AI-based screening designed to help create safer experiences. Our investment into our research and development program drives growth by improving our existing products, developing potential new products for the market and expanding what is possible for physical security.

## Components of Results of Operations

### *Revenue*

We derive revenue from (1) subscription arrangements generally accounted for as operating leases, including SaaS and maintenance, (2) the sale of products, (3) SaaS and maintenance related to products sold to customers either by Evolv or by Columbia Tech pursuant to the Distribution and License Agreement, (4) license fees related to the Distribution and License Agreement, and (5) professional services, including installation, training, and event support. Maintenance consists of preventative maintenance, technical support, bug fixes, and when-and-if available threat updates. 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 continue declining as a percentage of our overall revenue as we continue focusing our go-to-market strategy on our pure subscription and distributor licensing sales models.

*Subscription Revenue*

Subscription revenue consists of revenue derived from leasing Evolv Express 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 and recognized ratably over the duration of the lease. There are no contingent lease payments as a part of these arrangements.

Lease arrangements generally include both lease and non-lease components. The non-lease components relate to (1) distinct services, including professional services, SaaS, and maintenance, and (2) any add-on accessories. Professional services are included in license fees and other 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 consolidated statements of operations and comprehensive income (loss).

*Service Revenue*

Service revenue consists of subscription-based SaaS and maintenance revenue related to Evolv Express units sold to customers. Customers generally pay either a quarterly or annual fixed payment for SaaS and maintenance. SaaS and maintenance revenue is recognized ratably over the period of the arrangement, which is typically four years.

*License Fee and Other Revenue*

License fee and other revenue includes license fee revenue from the Distribution and License Agreement, revenue from professional services, and other one-time revenue. License fee revenue is recognized upon the shipment of product from Columbia Tech to the reseller. Revenue for professional services is recognized upon transfer of control of these services, which are normally rendered over a short duration. Revenue for professional services and other one-time revenue, which had previously been included in service revenue, has been reclassified for prior periods to License fee and other revenue on the consolidated statements of operations and comprehensive income (loss). We expect license fee and other revenue to continue to increase as we continue to focus our go-to-market strategy on our distributor licensing sales model.

### *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 our third-party manufacturer and other suppliers, labor costs (including stock-based compensation), 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 Service Revenue*

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

*Cost of License Fee and Other Revenue*

Cost of license fees and other revenue consists primarily of internal and third-party costs related to professional services, such as installation, training, and event support.

***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:

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

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

***Research and Development***

Our research and development expenses represent costs incurred to support activities that advance the development of innovative security screening technologies, new product platforms, as well as activities that enhance the capabilities of our existing product platforms. Our research and development expenses consist primarily of salaries and bonuses, employee benefits, stock-based compensation, prototypes, design expenses, and consulting and contractor costs. We expect research and development costs will increase for the year ending December 31, 2024 compared to the year ended 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 increase for the year ending December 31, 2024 compared to the year ended December 31, 2023 primarily due to an overall increase in personnel related expense.

***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 insurance. We expect our general and administrative expenses will remain relatively consistent for the year ending December 31, 2024 compared to the year ended December 31, 2023 as we look to leverage previous investments made in people and processes. Our general and administrative expenses may be impacted by regulatory compliance costs related to the ongoing FTC and SEC matters.

***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 fundsand treasury bills, and interest earned on our lease receivables for our Evolv Express units recognized as sales-type leases.

***Loss on Extinguishment of Debt***

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. On March 10, 2023, SVB was closed by California state regulators and the FDIC was appointed as receiver. Subsequently, the Company terminated the 2022 SVB Credit Agreement on March 31, 2023. As a result of the termination of the SVB Credit Agreement, the Company incurred a loss on extinguishment of debt.

***Change in Fair Value of Contingent Earn-out Liability***

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

***Change in Fair Value of Public Warrant Liability***

In connection with the closing of the Merger, the Company assumed warrants to purchase 14,325,000 shares of common stock (the “Public Warrants”) at an exercise price of $11.50. The Public Warrants are currently 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 as a component of other income (expense), net in the consolidated statements of operations and comprehensive income (loss) with the offset to additional paid-in capital.

***Income Taxes***

Our income tax provision consists of an estimate for federal, state, and foreign income taxes based on enacted rates in the jurisdictions in which we operate, as adjusted for allowable credits, deductions, uncertain tax positions, changes in deferred tax assets and liabilities and changes in tax law. We have historically incurred net operating losses and maintain a full valuation allowance against our deferred tax assets.

***Reclassification***

During the year ended December 31, 2023, the Company began classifying revenue from professional services, which includes installation, training, and event support, as well as one-time revenue within license fee and other revenue on the consolidated statements of operations and comprehensive income (loss), whereas the revenue for these services has previously been included in service revenue. Correspondingly, the Company began classifying costs associated with professional services within cost of license fee and other revenue, whereas these costs were previously included in cost of service revenue. These reclassifications were made to align the presentation of professional services with the Company's internal reporting and analysis.

**Results of Operations**

**Comparison of the Three Months Ended June 30, 2024 and 2023**

The following table summarizes our results of operations for the three months ended June 30, 2024 and 2023 (in thousands):

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| Revenue: | | | | |
| Product revenue | $ 2,044 | $ 7,243 | $ (5,199) | (72) % |
| Subscription revenue | 15,903 | 7,964 | 7,939 | 100 |
| Service revenue | 5,553 | 3,905 | 1,648 | 42 |
| License fee and other revenue | 2,040 | 713 | 1,327 | 186 |
| Total revenue | 25,540 | 19,825 | 5,715 | 29 |
| Cost of revenue: | | | | |
| Cost of product revenue | 3,149 | 7,722 | (4,573) | (59) |
| Cost of subscription revenue | 6,436 | 3,406 | 3,030 | 89 |
| Cost of service revenue | 1,311 | 1,014 | 297 | 29 |
| Cost of license fee and other revenue | 172 | 270 | (98) | (36) |
| Total cost of revenue | 11,068 | 12,412 | (1,344) | (11) |
| Gross profit | 14,472 | 7,413 | 7,059 | 95 |
| Operating expenses: | | | | |
| Research and development | 5,722 | 6,395 | (673) | (11) |
| Sales and marketing | 16,892 | 13,613 | 3,279 | 24 |
| General and administrative | 14,185 | 10,874 | 3,311 | 30 |
| Loss from impairment of property and equipment | — | 157 | (157) | (100) |
| Total operating expenses | 36,799 | 31,039 | 5,760 | 19 |
| Loss from operations | (22,327) | (23,626) | 1,299 | 5 |
| Other income (expense), net: | | | | |
| Interest income | 681 | 1,853 | (1,172) | (63) |
| Other income (expense), net | (39) | (22) | (17) | (77) |
| Change in fair value of contingent earn-out liability | 16,514 | (28,113) | 44,627 | 159 |
| Change in fair value of contingently issuable common stock liability | 3,747 | (5,095) | 8,842 | 174 |
| Change in fair value of public warrant liability | 4,886 | (11,751) | 16,637 | 142 |
| Total other income (expense), net | 25,789 | (43,128) | 68,917 | 160 |
| Net income (loss) | $ 3,462 | $ (66,754) | $ 70,216 | 105 % |

***Revenue, Cost of Revenue and Gross Profit***

We believe there are several key trends that are continuing to drive increased adoption of our solutions and growth in our 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) customer acquisition activities which led to the addition of 84 new customers during the three months ended June 30, 2024 and 74 new customers during the three months ended June 30, 2023, (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.

*Product Revenue*

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change | % Change |
| Product revenue | $ 2,044 | $ 7,243 | $ (5,199) | (72)% |
| Cost of product revenue | $ 3,149 | $ 7,722 | $ (4,573) | (59)% |
| Gross profit - Product revenue | $ (1,105) | $ (479) | $ (626) | (131)% |
| Gross profit margin - Product revenue | (54)% | (7)% | N/A | (47)% |

The decreases in product revenue and cost of product revenue are primarily due to a continued transition to pure subscription sales and sales under our distributor model during the preceding twelve months. The decrease in product gross profit margin for the three months ended June 30, 2024 compared to the prior year period is primarily attributable to $0.4 million of expense related to an increase to our inventory reserve and $0.3 million increase in manufacturing expenses.

*Subscription Revenue*

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change | % Change |
| Subscription revenue | $ 15,903 | $ 7,964 | $ 7,939 | 100 % |
| Cost of subscription revenue | $ 6,436 | $ 3,406 | $ 3,030 | 89 % |
| Gross profit - Subscription revenue | $ 9,467 | $ 4,558 | $ 4,909 | 108 % |
| Gross profit margin - Subscription revenue | 60 % | 57 % | N/A | 2 % |

The increases in subscription revenue, cost of subscription revenue and subscription gross profit are primarily due to continued growth in our customer base for the three months ended June 30, 2024 compared to the prior year period, which was due to a transition to our pure subscription model and a higher number of active Evolv Express units deployed under our pure subscription model.

*Service Revenue*

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change | % Change |
| Service revenue | $ 5,553 | $ 3,905 | $ 1,648 | 42 % |
| Cost of service revenue | $ 1,311 | $ 1,014 | $ 297 | 29 % |
| Gross profit - Service revenue | $ 4,242 | $ 2,891 | $ 1,351 | 47 % |
| Gross profit margin - Service revenue | 76 % | 74 % | N/A | 2 % |

The increases in service revenue, cost of service revenue, and gross profit are primarily due to an increased number of active revenue-generating purchase subscription units, as well as active revenue-generating units purchased by customers directly from Columbia Tech under our distributor model, for the three months ended June 30, 2024 compared to the prior year period.

*License fee and other revenue*

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| License fee and other revenue | $ 2,040 | $ 713 | $ 1,327 | 186 % |
| Cost of license fee and other revenue | $ 172 | $ 270 | $ (98) | (36)% |
| Gross profit - License fee and other revenue | $ 1,868 | $ 443 | $ 1,425 | 322 % |
| Gross profit margin - License fee and other revenue | 92 % | 62 % | N/A | 29 % |

The increase in license fee and other revenue, gross profit, and gross profit margin was primarily driven by $1.7 million of license fees earned during the three months ended June 30, 2024 compared to no license fees earned during the prior year period under the Distribution and License Agreement which was executed in March 2023.

***Research and Development Expenses***

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| Personnel related (including stock-based compensation) | $ 3,943 | $ 4,313 | $ (370) | (9)% |
| Materials and prototypes | 504 | 839 | (335) | (40)% |
| Professional fees | 929 | 926 | 3 | — % |
| Other | 346 | 317 | 29 | 9 % |
| | $ 5,722 | $ 6,395 | $ (673) | (11)% |

The decrease in personnel related expenses is due to a higher amount of payroll costs capitalized related to internal-use software and software embedded in products to be sold or leased, partially offset by an increase in payroll costs primarily resulting from new hires in our research and development function during the past twelve months. The decrease in materials and prototypes expense is due to decreased design and engineering costs related to the development of the next generation of our Evolv Express system. Professional fees and other expense remained consistent.

***Sales and Marketing Expenses***

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| Personnel related (including stock-based compensation) | $ 12,514 | $ 10,258 | $ 2,256 | 22 % |
| Advertising and direct marketing | 1,044 | 612 | 432 | 71 % |
| Travel and entertainment | 1,388 | 1,252 | 136 | 11 % |
| Professional fees | 880 | 569 | 311 | 55 % |
| Other | 1,066 | 922 | 144 | 16 % |
| | $ 16,892 | $ 13,613 | $ 3,279 | 24 % |

The increase in personnel related expenses is due to an increase in payroll costs and stock-based compensation resulting primarily from new hires in our sales and marketing functions to support increased sales volume during the past twelve months and certain other one-time employee-related costs. Stock compensation expense included in sales and marketing expenses was $2.7 million for the three months ended June 30, 2024 compared to $2.5 million for the three months ended June 30, 2023. The increase in advertising and direct marketing expense is primarily due to an increase in expenses 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. Professional fees increased due primarily to an increase in marketing consulting costs. Other expense increased primarily due to an increase in IT and software subscription costs.

***General and Administrative Expenses***

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change | % Change |
| Personnel related (including stock-based compensation) | $ 6,918 | $ 6,113 | $ 805 | 13 % |
| Professional fees | 1,791 | 1,504 | 287 | 19 % |
| Insurance costs | 766 | 1,093 | (327) | (30)% |
| Other | 4,710 | 2,164 | 2,546 | 118 % |
| | $ 14,185 | $ 10,874 | $ 3,311 | 30 % |

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 $3.3 million for the three months ended June 30, 2024 compared to $2.8 million for the three months ended June 30, 2023. The increase in professional fees was primarily related to an increase in outsourced accounting consultancy and audit fees. The decrease in insurance costs was primarily related to a decrease in director and officer insurance premiums. Other expense increased primarily due to a $1.1 million accrual for ongoing regulatory matters and $1.1 million of certain one-time expenses incurred during the three months ended June 30, 2024 compared to $0.4 million for the three months ended June 30, 2023, as well as increases in rent for additional leased space, IT and software subscription costs, and bad debt expenses.

***Loss From Impairment of Property and Equipment***

No loss from impairment of property and equipment was recognized for the three months ended June 30, 2024, compared to $0.2 million for the three months ended June 30, 2023, primarily related to the removal of Evolv Express units from service, resulting in impairment of the remaining economic value of such units.

***Interest Income***

Interest income of $0.7 million for the three months ended June 30, 2024 and $1.9 million for the three months ended June 30, 2023 related primarily to interest earned on money market funds and the 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 $16.5 million gain and $28.1 million loss for the three months ended June 30, 2024 and 2023, 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 $3.7 million gain and $5.1 million loss for the three months ended June 30, 2024 and 2023, 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 $4.9 million gain and a $11.8 million loss for the three months ended June 30, 2024 and 2023, 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, 2024 and 2023**

The following table summarizes our results of operations for the six months ended June 30, 2024 and 2023 (in thousands):

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| Revenue: | | | | |
| Product revenue | $ 2,647 | $ 15,997 | $ (13,350) | (83) % |
| Subscription revenue | 30,406 | 14,430 | 15,976 | 111 |
| Service revenue | 10,937 | 6,691 | 4,246 | 63 |
| License fee and other revenue | 3,218 | 1,288 | 1,930 | 150 |
| Total revenue | 47,208 | 38,406 | 8,802 | 23 |
| Cost of revenue: | | | | |
| Cost of product revenue | 5,926 | 18,300 | (12,374) | (68) |
| Cost of subscription revenue | 12,215 | 5,757 | 6,458 | 112 |
| Cost of service revenue | 2,522 | 1,597 | 925 | 58 |
| Cost of license fee and other revenue | 301 | 574 | (273) | (48) |
| Total cost of revenue | 20,964 | 26,228 | (5,264) | (20) |
| Gross profit | 26,244 | 12,178 | 14,066 | 116 |
| Operating expenses: | | | | |
| Research and development | 11,927 | 11,784 | 143 | 1 |
| Sales and marketing | 32,897 | 26,417 | 6,480 | 25 |
| General and administrative | 26,025 | 19,800 | 6,225 | 31 |
| Loss from impairment of property and equipment | — | 294 | (294) | (100) |
| Total operating expenses | 70,849 | 58,295 | 12,554 | 22 |
| Loss from operations | (44,605) | (46,117) | 1,512 | 3 |
| Other income (expense), net: | | | | |
| Interest expense | — | (654) | 654 | 100 |
| Interest income | 1,766 | 2,806 | (1,040) | (37) |
| Other expense, net | (67) | (3) | (64) | (2,133) |
| Loss on extinguishment of debt | — | (626) | 626 | * |
| Change in fair value of contingent earn-out liability | 23,413 | (31,431) | 54,844 | 174 |
| Change in fair value of contingently issuable common stock liability | 4,274 | (5,837) | 10,111 | 173 |
| Change in fair value of public warrant liability | 7,037 | (13,501) | 20,538 | 152 |
| Total other income (expense), net | 36,423 | (49,246) | 85,669 | 174 |
| Net loss | $ (8,182) | $ (95,363) | $ 87,181 | 91 % |

***Revenue, Cost of Revenue and Gross Profit***

We believe there are several key trends that are continuing to drive increased adoption of our solutions and growth in our 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) customer acquisition activities which led to the addition of 137 new customers during the six months ended June 30, 2024 and 135 new customers during the six months ended June 30, 2023, (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.

*Product Revenue*

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | **2024** | **2023** | **$ Change** | **% Change** |
| Product revenue | $ 2,647 | $ 15,997 | $ (13,350) | (83)% |
| Cost of product revenue | $ 5,926 | $ 18,300 | $ (12,374) | (68)% |
| Gross profit - Product revenue | $ (3,279) | $ (2,303) | $ (976) | (42)% |
| Gross profit margin - Product revenue | (124)% | (14)% | N/A | (109)% |

The decreases in product revenue and cost of product revenue are primarily due to a continued transition to pure subscription sales and sales under our distributor model during the preceding twelve months. The decrease in product gross profit margin for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 is primarily attributable to $1.0 million of expense related to an increase to our inventory reserve and $1.2 million of expense associated with adverse non-cancellable inventory purchase commitments during the six months ended June 30, 2024, both of which relate primarily to the ongoing transition of our manufacturing operations to the next generation of Evolv Express systems and the determination that certain components within our legacy systems will not be used in the next generation systems.

*Subscription Revenue*

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | **2024** | **2023** | **$ Change** | **% Change** |
| Subscription revenue | $ 30,406 | $ 14,430 | $ 15,976 | 111 % |
| Cost of subscription revenue | $ 12,215 | $ 5,757 | $ 6,458 | 112 % |
| Gross profit - Subscription revenue | $ 18,191 | $ 8,673 | $ 9,518 | 110 % |
| Gross profit margin - Subscription revenue | 60 % | 60 % | N/A | — % |

The increases in subscription revenue, cost of subscription revenue, and subscription gross profit are primarily due to continued growth in our customer base for the six months ended June 30, 2024 compared to the six months ended June 30, 2023, which was due to a transition to our pure subscription model and a higher number of active Evolv Express units deployed under our pure subscription contract model.

*Service Revenue*

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| Service revenue | $ 10,937 | $ 6,691 | $ 4,246 | 63 % |
| Cost of service revenue | $ 2,522 | $ 1,597 | $ 925 | 58 % |
| Gross profit - Service revenue | $ 8,415 | $ 5,094 | $ 3,321 | 65 % |
| Gross profit margin - Service revenue | 77 % | 76 % | N/A | 1 % |

The increases in service revenue, cost of service revenue, and gross profit are primarily due to an increased number of active revenue-generating purchase subscription units, as well as active revenue-generating units purchased by customers directly from Columbia Tech under our distributor model, for the six months ended June 30, 2024 compared to the six months ended June 30, 2023.

*License fee and other revenue*

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| License fee and other revenue | $ 3,218 | $ 1,288 | $ 1,930 | 150 % |
| Cost of license fee and other revenue | $ 301 | $ 574 | $ (273) | (48)% |
| Gross profit - License fee and other revenue | $ 2,917 | $ 714 | $ 2,203 | 309 % |
| Gross profit margin - License fee and other revenue | 91 % | 55 % | N/A | 35 % |

The increase in license fee and other revenue, gross profit, and gross profit margin was primarily driven by $2.4 million of license fees earned during the six months ended June 30, 2024 compared to no license fees earned during the six months ended June 30, 2023 under the Distribution and License Agreement which was executed in March 2023.

***Research and Development Expenses***

| | Six Months Ended June 30, 2024 | Six Months Ended June 30, 2023 | $ Change | % Change |
|---|---|---|---|---|
| Personnel related (including stock-based compensation) | $ 7,930 | $ 8,160 | $ (230) | (3) % |
| Materials and prototypes | 1,343 | 1,197 | 146 | 12 % |
| Professional fees | 1,846 | 1,925 | (79) | (4) % |
| Other | 808 | 502 | 306 | 61 % |
| | $ 11,927 | $ 11,784 | $ 143 | 1 % |

The decrease in personnel related expenses is due to a higher amount of payroll costs capitalized related to internal-use software and software embedded in products to be sold or leased, partially offset by an increase in payroll costs primarily resulting from new hires in our research and development function during the past twelve months. The increase in materials and prototypes expense is due to inventory reserve on unused components offset by the decreased design and engineering costs, both of which relate primarily to the development of the next generation of our Evolv Express system. The decrease in professional fees primarily relates to higher amount of costs capitalized related to internal-use software and software embedded in products to be sold or leased, offset by consulting costs incurred for product development and engineering. The increase in other expense is primarily due to an increase in IT and software subscription costs.

***Sales and Marketing Expenses***

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change | % Change |
| Personnel related (including stock-based compensation) | $ 24,506 | $ 19,707 | $ 4,799 | 24 % |
| Advertising and direct marketing | 1,854 | 1,827 | 27 | 1 % |
| Travel and entertainment | 2,658 | 2,142 | 516 | 24 % |
| Professional fees | 1,839 | 1,094 | 745 | 68 % |
| Other | 2,040 | 1,647 | 393 | 24 % |
| | $ 32,897 | $ 26,417 | $ 6,480 | 25 % |

The increase in personnel related expenses is due to an increase in payroll costs and stock-based compensation resulting primarily from new hires in our sales and marketing functions during the past twelve months to support increased sales volume and certain other one-time employee-related costs. Stock compensation expense included in sales and marketing expenses was $5.7 million for the six months ended June 30, 2024 compared to $4.5 million for the six months ended June 30, 2023. Advertising and direct marketing expense remained consistent. The increase in travel and entertainment expense is due to an increase in travel costs for in-person sales personnel meetings. Professional fees increased due primarily to an increase in marketing consulting costs. Other expense increased primarily due to an increase in IT and software subscription costs.

***General and Administrative Expenses***

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | $ Change | % Change |
| Personnel related (including stock-based compensation) | $ 13,156 | $ 11,173 | $ 1,983 | 18 % |
| Professional fees | 4,337 | 2,909 | 1,428 | 49 % |
| Insurance costs | 1,508 | 2,066 | (558) | (27) % |
| Other | 7,024 | 3,652 | 3,372 | 92 % |
| | $ 26,025 | $ 19,800 | $ 6,225 | 31 % |

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 $5.7 million for the six months ended June 30, 2024 compared to $4.8 million for the six months ended June 30, 2023. The increase in professional fees was primarily related to an increase in outsourced accounting consultancy and audit fees. The decrease in insurance costs was primarily related to a decrease in director and officer insurance premiums. Other expense increased primarily due to a $1.1 million accrual for ongoing regulatory matters and $1.6 million of certain one-time expenses incurred during the six months ended June 30, 2024 compared to $0.5 million for the six months ended June 30, 2023, as well as increases in rent for additional leased space, IT and software subscription costs, and property taxes.

***Loss From Impairment of Property and Equipment***

No loss from impairment of property and equipment was recognized for the six months ended June 30, 2024, compared to $0.3 million for the six months ended June 30, 2023, primarily related to the removal of Evolv Express units from service, resulting in impairment of the remaining economic value of such units.

***Interest Expense***

No interest expense was recognized for the six months ended June 30, 2024, compared to $0.7 million for the six months ended June 30, 2023. 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 $1.8 million and $2.8 million for the six months ended June 30, 2024 and 2023, respectively, related primarily to interest earned on money market funds and the 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 $23.4 million gain and $31.4 million loss for the six months ended June 30, 2024 and 2023, 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 $4.3 million gain and $5.8 million loss for the six months ended June 30, 2024 and 2023, 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 $7.0 million gain and a $13.5 million loss for the six months ended June 30, 2024 and 2023, 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, 2024, we had $56.5 million in cash, cash equivalents, and marketable securities. We incurred a net income of $3.5 million and a net loss of $66.8 million for the three months ended June 30, 2024 and 2023, respectively, and incurred a net loss of $8.2 million and $95.4 million for the six months ended June 30, 2024 and 2023, respectively. We incurred cash outflows from operating activities of $38.0 million and $8.8 million during the six months ended June 30, 2024 and 2023, respectively.

We maintain substantially all of our cash, cash equivalents, and marketable securities in accounts with 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 this Quarterly Report on Form 10-Q. However, because we are in the growth stage of our business and operate in an emerging field of technology, we expect to continue to invest in research and development and expand our sales and marketing team. While we are expecting a higher percentage of sales to go through our distribution model over time, we may require additional capital to respond to expected growth in the demand for equipment 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 public health emergencies, international political turmoil, including in Europe and the Middle East, 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, 2024.

***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, 2024. 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 $56.5 million as of June 30, 2024.

We are party to a lease agreement for office space at our headquarters in Waltham, MA. During the three months ended March 31, 2024, we amended the lease agreement to extend the term through October 31, 2025, with the option to further extend through June 30, 2031 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, 2024. Total future minimum lease payments under this noncancelable operating lease amount to $2.5 million as of June 30, 2024.

***Cash Flows***

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

| | Six Months Ended June 30, | |
|---|---|---|
| | **2024** | **2023** |
| Net cash used in operating activities | $ (37,962) | $ (8,755) |
| Net cash used in investing activities | 5,851 | (64,117) |
| Net cash provided by (used in) financing activities | 636 | (29,988) |
| Effect of exchange rate changes on cash and cash equivalents | 11 | (33) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | $ (31,464) | $ (102,893) |

***Operating Activities***

| | Six Months Ended June 30, | |
|---|---|---|
| | **2024** | **2023** |
| Net loss | $ (8,182) | $ (95,363) |
| Non-cash expense | (10,611) | 68,230 |
| Changes in operating assets and liabilities | (19,169) | 18,378 |
| Net cash used in operating activities | $ (37,962) | $ (8,755) |

Net loss decreased from $95.4 million for the six months ended June 30, 2023 to $8.2 million for the six months ended June 30, 2024 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, 2024 is primarily attributable to $13.8 million of stock-based compensation expense, $7.4 million of depreciation and amortization, and $34.7 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 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 liability, and public warrant liability.

Changes in operating assets and liabilities for the six months ended June 30, 2024 are primarily related to the following:

- $14.0 million increase in accounts receivable primarily due to the timing of customer billings;
- $10.4 million increase in inventory primarily due to increased purchases to satisfy future expected demand and for the ongoing transition to the next generation of Evolv Express systems;
- $3.0 million increase in prepaid expenses and other current assets primarily due to prepaid deposits related to orders placed for Evolv Express units; *partially offset by*
- $8.3 million increase in deferred revenue due to a higher volume of sales;
- $1.7 million decrease in accounts payable (excluding the non-cash portion related to capital expenditures incurred but not yet paid) due primarily to the timing of vendor payments; and
- $2.3 million decrease in contract assets related to the timing of revenue recognition.

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; *partially 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

***Investing Activities***

During the six months ended June 30, 2024, cash used in investing activities was $5.9 million, consisting of $21.1 million for the purchase of property and equipment, primarily related to the purchase of Evolv Express units to be leased to customers and $3.4 million for the development of internal-use software and software embedded in products to be sold or leased, offset by a net $30.3 million inflow related to purchases and redemptions of marketable securities.

During the six months ended June 30, 2023, cash used in investing activities was $64.1 million, consisting primarily 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, $29.4 million outflow related to purchases of marketable securities, and $1.6 million for the development of internal-use software.

***Financing Activities***

During the six months ended June 30, 2024, cash used in financing activities was $0.6 million, consisting of $0.6 million of proceeds from the exercise of stock options.

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.

**Recent Accounting Pronouncements**

There were no new accounting pronouncements that were issued or became effective since the issuance of the 2023 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 2023 Form 10-K. There have been no material changes to our critical accounting policies and estimates during the six months ended June 30, 2024.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

There have been no material changes in our market risks from the disclosure included in Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risks" of the 2023 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 the reports that we file or submit 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, 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 as of June 30, 2024, due to the material weaknesses in our internal control over financial reporting as described below.

***Material Weaknesses***

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 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. In addition, we did not design and maintain effective controls in response to the risks of material misstatement as changes to existing controls or the implementation of new controls were not sufficient to respond to changes to the risks of material misstatement to financial reporting. These material weaknesses 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 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, controls to validate reliability of system-generated information used in the controls, controls over the preparation and review of account reconciliations and journal entries, and controls over recording of revenue, receivables, and deferred revenue transactions, completeness and accuracy of accounts payable and accrued liabilities, commissions, equity and share-based compensation, fixed assets, inventory, payroll, income taxes, and cash and investments.

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 assets, 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 quarterly 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.

***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. These remediation efforts are ongoing and include the following:

- 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, and will continue to perform, 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.

- Over the past year, we implemented controls related to, among other items, (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 memoranda 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, (iv) completeness and accuracy of accounts payable and accrued liabilities, and (v) completeness, accuracy, valuation, and classification of cash equivalents and marketable securities.

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, 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 with respect to the remediation efforts described in the "Remediation Plan for the Material Weaknesses" section 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 three months ended June 30, 2024 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, government and regulatory inquiries and investigations, and other legal and administrative proceedings arising in the ordinary course of business. The information required under this Item 1 is set forth in Note 14 (Commitments and Contingencies) to our condensed consolidated financial statements for the three and six months ended June 30, 2024 and is incorporated herein by reference.

### ITEM 1A. RISK FACTORS

Other than as set forth below, there have been no material changes to the risk factors described in our 2023 Form 10-K. For a discussion of potential risks and uncertainties related to us, see Part I, Item 1A, "Risk Factors" of our 2023 Form 10-K.

***We are subject to government regulation and other legal obligations, particularly related to privacy, data protection, information security, and product marketing and our actual or perceived failure to comply with such obligations could harm our business.***

We, our reseller partners, and our customers are subject to a number of domestic and international laws and regulations that apply to cloud services and the internet generally. These laws, rules, and regulations address a range of issues including data privacy and cyber security, breach notification and restrictions or technological requirements regarding the collection, use, storage, protection, disclosure, retention, transfer, or other processing of data. The regulatory framework for online services, data privacy and cyber security issues worldwide can vary substantially from jurisdiction to jurisdiction, is rapidly evolving and is likely to remain uncertain for the foreseeable future. Many federal, state, local, and foreign government bodies and agencies have adopted or are considering adopting laws, rules and regulations regarding the collection, use, storage, disclosure and other processing of information, web browsing and geolocation data collection, data analytics, facial recognition, cyber security, and breach response and notification procedures. Furthermore, new laws and regulations that apply to our business are being introduced at every level of government in the United States, as well as internationally. As we seek to expand our business, we are, and may increasingly become subject to various laws, regulations, and standards, and may be subject to contractual obligations relating to data privacy and security in the jurisdictions in which we operate.

For example, in the United States, there are numerous federal and state data privacy and security laws, rules, and regulations governing the collection, use, disclosure, retention, security, transfer, storage, and other processing of personal information, including federal and state data privacy laws, data breach notification laws, and consumer protection laws. The FTC and many state attorneys general are interpreting federal and state consumer protection laws to impose standards for the online collection, use, dissemination, and security of data. Such standards require us to publish statements that describe how we handle personal data and choices individuals may have about the way we handle their personal data. If such information that we publish is considered untrue or inaccurate, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Moreover, according to the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal data secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act. State consumer protection laws provide similar causes of action for unfair or deceptive practices.

There are also laws and regulations governing the collection and use of biometric information, such as fingerprints and face prints. For example, the Illinois' Biometric Information Privacy Act ("BIPA") applies to the collection and use of "biometric identifiers" and "biometric information" which include finger and face prints. Several class action lawsuits have been brought under BIPA, as the statute is broad and still being interpreted by the courts.

In addition, the California Consumer Privacy Act, or the CCPA, as amended by the California Privacy Rights Act, and the data protection and security laws of other states impose requirements with respect to disclosure and deletion of personal information of their residents, imposing penalties for violations and, in some cases, private right of action for data breaches. These laws, and similar legislation in other states that are developing or have been recently enacted, impose transparency and other obligations with respect to personal data of their respective residents and provide residents with similar rights for certain types of data breaches.

This legislation may add additional complexity, variation in requirements, restrictions, and potential legal risk, require additional investment in resources to compliance programs, could impact strategies and availability of previously useful data, and could result in increased compliance costs and/or changes in business practices and policies.

Further, some laws may require us to notify governmental authorities and/or affected individuals of data breaches involving certain personal information or other unauthorized or inadvertent access to or disclosure of such information. We may need to notify governmental authorities and affected individuals with respect to such incidents. For example, laws in all 50 U.S. states may require businesses to provide notice to consumers whose personal information has been disclosed as a result of a data breach. These laws are not consistent, and compliance in the event of a widespread data breach may be difficult and costly. We also may be contractually required to notify consumers or other counterparties of a security breach. Regardless of our contractual protections, any actual or perceived security breach or breach of our contractual obligations could harm our reputation and brand, expose us to potential liability or require us to expend significant resources on data security and in responding to any such actual or perceived breach.

Internationally, virtually every jurisdiction in which we operate has customers and/or have prospective customers to which we market has established its own data security and privacy legal frameworks with which we, our reseller partners or our customers must comply.

For example, in the European Union, the General Data Protection Regulation 2016/679 ("GDPR") imposes requirements on controllers and processors of personal data, including, for example, higher standards for obtaining consent from individuals to process their personal data, more robust disclosures to individuals, a strong individual rights regime, shortened timelines for data breach notifications and restrictions on the transfer of personal data outside of the European Economic Area. Following its departure from the European Union, the United Kingdom has adopted a separate regime based on the GDPR ("UK GDPR") that imposes similarly onerous requirements. Companies that violate the EU or UK regime can face regulatory investigations, private litigation, prohibitions on data processing, and fines of up to the greater of 4% of their worldwide annual revenue or 20 million Euros (for the EU) or £17.5 million (for the U.K.). Other EU and UK data protection laws and evolving regulatory guidance restrict the ability of companies to market electronically, including through the use of cookies and similar technologies, and companies are increasingly subject to strict enforcement action including fines for noncompliance.

Certain data privacy legislation restricts the cross-border transfer of personal data and some countries introduced data localization into their laws. Specifically, the GDPR, the UK GDPR and other European and UK data protection laws generally prohibit the transfer of personal data from Europe, including the European Economic Area, United Kingdom and Switzerland, to third countries, unless the transfer is to a country deemed to provide adequate protection or the parties to the transfer have implemented specific safeguards to protect the transferred personal data. European case law and guidance have imposed additional onerous requirements in relation to data transfers, and we expect the existing legal complexity and uncertainty regarding international personal data transfers to continue in Europe and globally. If we do not implement the relevant transfer mechanism to transfer personal data, we may violate or infringe data privacy legislation requirements, and we may be exposed to regulatory proceedings or litigation and increased exposure to fines, penalties, or commercial liabilities, as well as reputational damages.

Further, many federal, state, and foreign government bodies and agencies have introduced, and are currently considering, additional laws and regulations, including related to the development and integration of artificial intelligence ("AI"), machine learning, and additional emerging data technologies while mitigating or controlling for bias and discrimination in the context of AI and machine learning. For example, in the United States, an executive order was issued in October 2023 on the Safe, Secure and Trustworthy Development and Use of AI, emphasizing the need for transparency, accountability and fairness in the development and use of AI. The order seeks to balance innovation with addressing risks associated with AI by providing eight guiding principles and priorities, such as ensuring that consumers are protected from fraud, discrimination and privacy risks related to AI. Legislation has also been promulgated on the state level. For example, the California Privacy Protection Agency is currently in the process of finalizing regulations under the CCPA regarding the use of automated decision making. In addition, in Europe the European Commission proposed a regulation seeking to establish a comprehensive, risk-based governance framework for AI in the EU market, the EU AI Act, which was politically agreed to in December 2023. It is intended to apply to companies that develop, use and/or provide AI in the EU and includes requirements around transparency, conformity assessments and monitoring, risk assessments, human oversight, security and accuracy and introduces significant fines for noncompliance. There are also specific rules on the use of automated decision making under the GDPR that provide the data subject the right not to be subject to a decision based solely on automated processing, including profiling, which produces legal effects concerning him or her or similarly significantly affects him or her. Additionally, the existence of automated decision making must be disclosed to the data subject with a meaningful explanation of the logic used in such decision making in certain circumstances and safeguards must be implemented to safeguard individual rights, including the right to obtain human intervention and to contest any decision. If passed, we will likely incur additional expenses and costs associated with complying with such laws, as well as face heightened potential liability if we are unable to comply with these laws. While we minimize any physical bias in our product's identification of threats because the product's AI does not process or analyze an individual's physical characteristics, we may not be able to identify such issues in advance, or if identified, we may not be able to identify mechanisms for effectively mitigating such issues.

We strive to comply with all applicable laws, policies, legal obligations, and industry codes of conduct relating to privacy and data protection to the extent possible. Because the interpretation and application of privacy and data protection laws are still uncertain, it is possible that these laws may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or with our existing practices or the features of our products and may conflict with other rules or regulations, making enforcement, and thus compliance requirements, ambiguous, uncertain, and potentially inconsistent. Any significant change to applicable laws, regulations or industry practices, or how each is interpreted, regarding the use or disclosure of personal information, or regarding the manner in which the express or implied consent of customers for the use and disclosure of personal information is obtained, could require us to modify our products and features, possibly in a material manner and subject to increased compliance costs, which may limit our ability to develop new products and features that make use of the personal information that our customers voluntarily share. Any failure or perceived failure by us to comply with our privacy policies, privacy-related obligations to customers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized access to or unintended release of personally identifiable information or other customer data, may result in governmental enforcement actions, litigation, or public statements against us by consumer advocacy groups or others. Any of these events could cause us to incur significant costs in investigating and defending such claims and, if found liable, pay significant damages. Further, these proceedings and any subsequent adverse outcomes may cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

We may also be subject to claims of liability or responsibility for the actions of third parties with whom we interact or upon whom it relies in relation to various products, including but not limited to vendors and business partners. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our products, which could have an adverse effect on our business. Any inability to adequately address privacy and/or data concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations, and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business.

The costs of compliance with, and other burdens imposed by, the laws, rules, regulations, and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our software. Even the perception of privacy or discrimination concerns, whether or not valid, may harm our reputation, inhibit adoption of our products by current and future customers, or adversely impact our ability to attract and retain workforce talent. Our failure to comply with applicable laws and regulations, or to protect such data, could result in enforcement action against us, including fines, imprisonment of company officials and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill (both in relation to existing customers and prospective customers), any of which could have a material adverse effect on our operations, financial performance and business. We may also have costs associated with engaging with stakeholders, including investors, insurance providers, and other capital providers, on such issues.

The marketing and sale of our products are also subject to extensive regulation by various federal agencies, including the FTC, as well as various other federal, state, provincial, local, and international regulatory authorities in the countries in which our products are distributed or sold and industry codes of conduct. From time to time, we receive government regulatory inquiries and requests for information and our approach is to be cooperative and educate them about our company and products. For example, the FTC has requested information about certain aspects of our marketing practices. We are complying with the FTC's requests and have been cooperating with them to answer their questions and educate them about our mission. In February 2024, we received a subpoena from the SEC, Division of Enforcement, requesting that we produce certain documents and information. The Company is cooperating with the FTC and SEC with respect to the investigations. We can offer no assurances as to the outcome of these investigations or their potential effect, if any, on us or our results of operations. Any inability to adequately address the FTC’s or SEC's concerns or comply with applicable laws, regulations, and policies, could result in litigation, enforcement actions or significant penalties or claims, which could, in turn, divert financial and management resources, damage our reputation, inhibit sales, and otherwise adversely affect our business. Any resolution or litigation with the FTC, SEC or other parties could ultimately result in monetary and/or injunctive relief that may impose costs on us and/or require us to make changes to our business practices and marketing activities and could adversely impact our customer relationships.

In addition to the possibility of fines, injunctive relief, lawsuits and other claims, as a result of any pending or any future regulatory enforcement proceedings or inquiries we could be required to fundamentally change our business practices. Responding to these or other investigations alone can be costly and time-consuming. Any of these events could materially adversely affect our operating results and financial condition. See also Note 14 (Commitments and Contingencies) to our condensed consolidated financial statements for the six months ended June 30, 2024 for additional information.

***We are and may in the future be subject to legal proceedings, claims and investigations in or outside the ordinary course of business. Such proceedings, claims and investigations could be costly and time-consuming to defend and could result in unfavorable outcomes, which may have a material adverse effect on our business, operating results and financial condition, and negatively affect the price of our common stock.***

We are, and may in the future become, subject to various legal proceedings, claims and investigations that arise in or outside the ordinary course of business. For example, in March 2024, an Evolv shareholder filed in the U.S. District Court for the District of Massachusetts a putative class action lawsuit, captioned Raby v. Evolv Technologies Holdings, Inc., et al. case number 1:24-cv-10761, alleging that Evolv and certain of its current and former executives and other individuals violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 based on alleged misstatements concerning the Company's products. We are also cooperating with ongoing investigations by the FTC and SEC. The above-captioned proceeding, as well as any pending or future government investigation or proceeding may result in substantial costs or liabilities, as well as a diversion of management's attention and resources, which could harm our business, result in a decline in the market price of our common stock and impact our financing efforts.

The potential costs and liabilities associated with legal proceedings, claims and investigations involving us or members of our leadership team is uncertain, and the results of such legal proceedings, claims and investigations cannot be predicted with certainty. Lawsuits and other administrative or legal proceedings that may arise can involve substantial costs, including the costs associated with investigation, litigation and possible settlement, judgment, penalty or fine. In addition, lawsuits and other legal proceedings may be time consuming to defend or prosecute and may require a commitment of management and personnel resources that will be diverted from our normal business operations. Also, our insurance coverage may be insufficient, our assets may be insufficient to cover any amounts that exceed our insurance coverage, and we may have to pay damage awards or otherwise may enter into settlement arrangements in connection with such claims. Moreover, we may be unable to continue to maintain our existing insurance at a reasonable cost, if at all, or to secure additional coverage, which may result in costs associated with lawsuits and other legal proceedings being uninsured. Any such payments or settlement arrangements in current or future litigation could have a material adverse effect on our business, operating results or financial condition. Even if the plaintiffs' claims are not successful, current or future litigation could result in substantial costs and significantly and adversely impact our reputation and divert management's attention and resources, which could have a material adverse effect on our business, operating results and financial condition, and negatively affect the price of our common stock. In addition, such lawsuits may make it more difficult to finance our operations.

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

**Unregistered Sales of Equity Securities**

During the three months ended June 30, 2024, we did not sell any securities that were not registered under the Securities Act.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

*(a) Disclosure in lieu of reporting on a Current Report on Form 8-K.*

None.

*(b) Material changes to the procedures by which security holders may recommend nominees to the board of directors.*

None.

*(c) Insider trading arrangements.*

During the quarter ended June 30, 2024, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Companyadopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**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 | 3.1 | January 31, 2024 | |
| 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: August 8, 2024

**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 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: August 8, 2024

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

**Exhibit 31.2**

**CERTIFICATION**

I, Mark Donohue, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 8, 2024

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

**Exhibit 32.1**

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

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

In connection with the quarterly report of Evolv Technologies Holdings, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2024, 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: August 8, 2024

| | |
|---|---|
| By: | /s/ Peter George |
| Name: | Peter George |
| Title: | Chief Executive Officer<br>*(principal executive officer)* |

**Exhibit 32.2**

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

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

In connection with the quarterly report of Evolv Technologies Holdings, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2024, 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: August 8, 2024

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