Q4 2023 Earnings Call

February 29, 2024

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Safe Harbor Statement & Use of Non-GAAP Measures

This presentation 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 and Section 21E of the Securities Exchange Act of 1934, as amended. All statements contained in this presentation other than statements of historical facts, including without limitation statements regarding our results of operations and financial position, business strategy, plans and prospects, future operations, growth, and financial results, demand for our products and offerings, our ability to meet our goals for revenue and profitability, macroeconomic and market trends, as well as our estimates for cash and cash equivalents and marketable securities, including for fiscal year 2024, our ability to retain existing and acquire new customers, and our ability to maintain our market position are forward looking statements. The words "believe" "may," "will," "expect," "should," "could," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "project," "plan," "target," "is/are likely to" 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. These statements are neither promises nor guarantees, but 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, but not limited to, the following: expectations regarding the Company's strategies and future financial performance, including its future business plans or objectives, prospective performance and opportunities and competitors, revenues, products and services, pricing, operating expenses, market trends, liquidity, cash flows and uses of cash, capital expenditures; the Company's history of losses and lack of profitability; the Company's reliance on third party contract manufacturing; the rate of innovation required to maintain competitiveness in the markets in which the Company competes; the competitiveness of the market in which the Company competes; the ability for the Company to obtain, maintain, protect and enforce the Company's intellectual property rights; the concentration of the Company's revenues on a single solution; the Company's ability to timely design, produce and launch its solutions, the Company's ability to invest in growth initiatives and pursue acquisition opportunities; the limited liquidity and trading of the Company's securities; 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; as well as the Company's financial condition and results of operations; the impact of fluctuating economic conditions; the need for additional capital to support business growth, which might not be available on acceptable terms, if at all; risks related to our indebtedness; risks related to domestic and international privacy and cyber security concerns, laws and regulations; and litigation and regulatory enforcement risks, including the diversion of management time and attention and the additional costs and demands on resources. These and other important factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission ("SEC") on February 29, 2024.

In this presentation, the Company's adjusted operating expenses, adjusted gross profit, adjusted gross margin, adjusted operating income (loss), adjusted EBITDA, adjusted earnings (loss), and adjusted earnings per share-diluted are not presented in accordance with generally accepted accounting principles (GAAP) and are not intended to be used in lieu of GAAP presentations of results of operations. Adjusted gross profit and adjusted gross margin exclude one-time items including stock-based compensation expense which management believes provides a more meaningful representation of contribution margin. Adjusted operating expenses is defined as operating expenses less one-time items including stock-based compensation expense, restructuring expenses, and loss on impairment of lease equipment which management believes provides a more meaningful representation of on-going operating expense levels. Adjusted EBITDA is defined as net income (loss) plus depreciation and amortization, share-based compensation, and certain other one-time expenses. Adjusted earnings (loss) is defined as net income (loss) plus stock-based compensation, change in fair value of derivative liability, change in fair value of contingent earn-out liability, change in fair value of contingently issuable common stock liability, change in fair value of public warrant liability, change in fair value of common stock warrant liability, restructuring expenses, loss on impairment of lease equipment, and certain other one-time expenses. Management presents non-GAAP financial measures because it considers them to be important supplemental measures of performance. Management uses non-GAAP financial measures for planning purposes, including analysis of the Company's performance against prior periods, the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management also believes non-GAAP financial measures provide additional insight for analysts and investors in evaluating the Company's financial and operational performance. However, non-GAAP financial measures have limitations as an analytical tool and are not intended to be an alternative to financial measures prepared in accordance with GAAP. We intend to provide non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of non-GAAP financial measures will provide consistency in our financial reporting. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures included in this presentation. The Company is unable to provide a reconciliation of non-GAAP Adjusted EBITDA to Net Income (Loss), its most directly comparable GAAP financial measure, on a forward-looking basis without unreasonable effort, because items that impact this GAAP financial measure are not within the Company's control and/or cannot be reasonably predicted. These items may include, but are not limited to, predicting forward-looking share-based compensation, changes in the fair value of derivative liabilities, changes in the fair value of contingent earn out liabilities, changes in the fair value of contingently issuable common stock liabilities and changes in fair value of public warrant liabilities. Such information may have a significant, and potentially unpredictable, impact on the Company's future financial results.

In this presentation, we also present Key Performance Indicators such as Annual Recurring Revenue (ARR) and Remaining Performance Obligation (RPO). For definitions of these metrics and how we calculate it, as well as the reasons why the metric provides useful information to investors and how management uses the metric in evaluating the performance of the business, please see the Appendix and our earnings release dated February 29, 2024.

Peter George

President &

Chief Executive Officer

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Our Mission and Vision

A safer world for people to live, work, learn and play.

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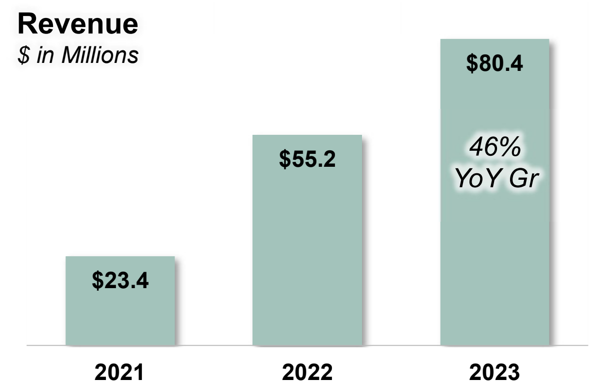
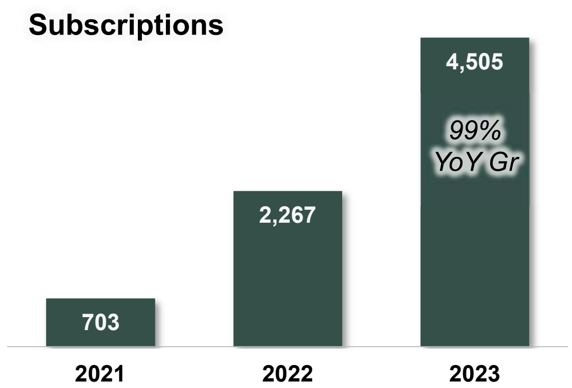
Highlights from a Record Year of Growth

- Revenue growth of 46% & **ARR growth** of 120% in 2023
- Added nearly **300 new customers** in 2023 across many markets including education, healthcare, professional sports, and industrial workplaces
- Surpassed **1 billion visitors** scanned with 179,000 **firearms detected** by our customers in 2023
- Growing momentum and scale with **key partners** including ASM, Columbia Tech, Ricoh, Alliance, JCI and Stanley Securitas
- Released several **key product innovations** including Evolv Extend, Evolv 6.0, Evolv 7.0 while also launching our new digital products initiative
- Further **strengthened leadership team** with several key additions: Chief Commercial Officer, Chief Digital Products Officer, Chief Marketing Officer as well as strategic channel leadership





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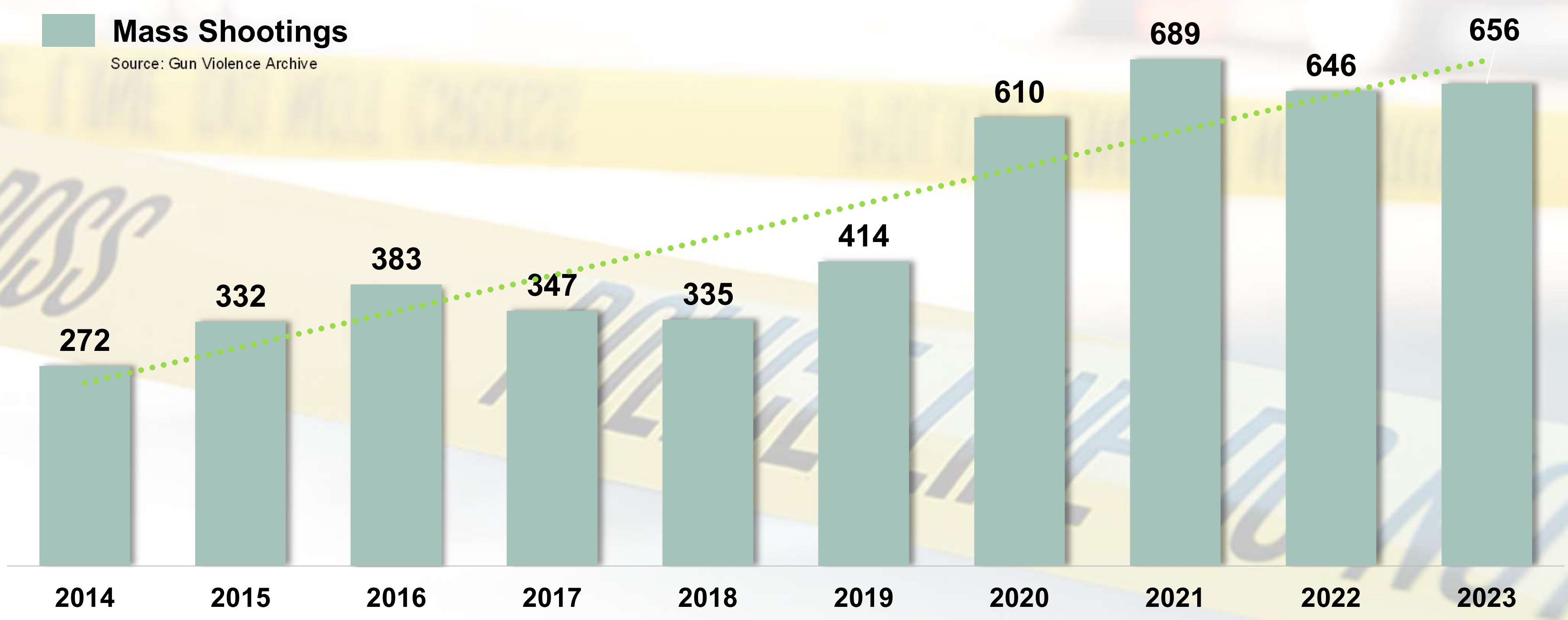
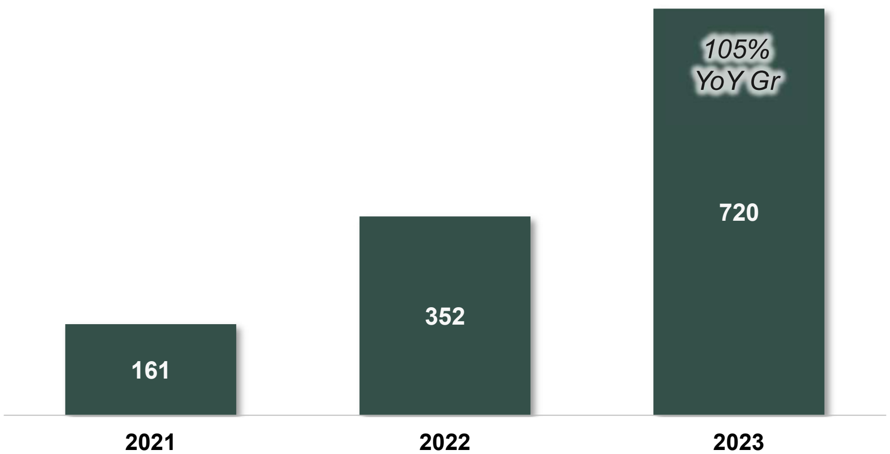
Gun Violence in the U.S. Continues to Escalate

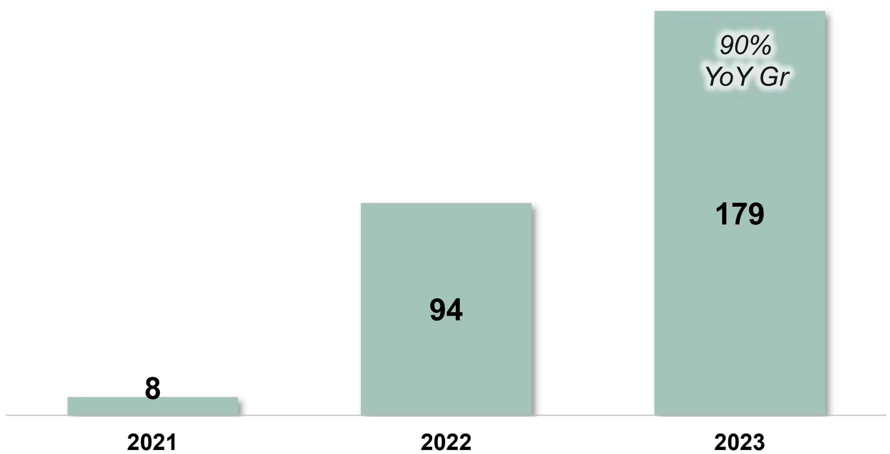


Visitor Screening is Accelerating as Threats Continue to Grow

Visitors Screened
in Millions



Firearms Tagged
in Thousands



Evolv Express is now detecting, on average, 1,000+ weapons per day at customer venues

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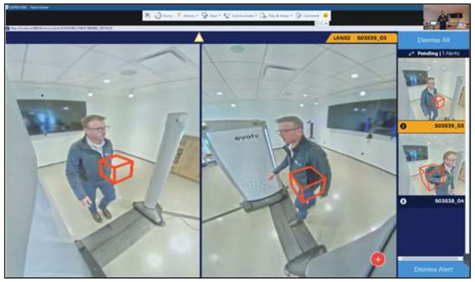
Raising the Technical Bar for AI-based Weapons Detection in 2023…

New enhancements delivered to our customers via multi-year subscriptions

Express 6.0
Bladed Weapons & Reduced Footprint

New Strategic Integrations

Express 7.0
Reduced Nuisance Alarms



More Than **1 Billion** Visitors Scanned

Evolv Visual Gun Detection™ expands Evolv's Threat Coverage

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Detecting Brandished Guns At Approach To The Entry to Equip The First Reactor™

- Detect brandished guns *before* they reach the entrance
- Evolv UI includes both Evolv Express and Evolv Visual Gun Detection alerts
- Alerts all sent to the cloud and My Evolv

Key Customer Additions

Boston Celtics

Kansas City Sporting

Charlotte Hornets

Belmont University

Merage Jewish Community Center of Orange County

City of Chattanooga Corporation Seal Tennessee

NEC New England Conservatory

The University of Utah

Windsor Schools
Inspiration Happens Here

MCG

Houston Rockets

Whitewater Amphitheater

Shore Medical Center℠
Healthcare At Its Best

Memorial Healthcare System

marlene meyerson jcc manhattan
everyday extraordinary

Paper Mill Playhouse

Sector Sixty6

Nashville, Tennessee
Cannery Hall
Est. 1883

Hollywood Bowl

UPMC
Life Changing Medicine

700+

MERCYHEALTH
INDIANAPOLIS SYMPHONY ORCHESTRA
Mets
BIG NIGHT
TENNESSEE TITANS
OPRY
PITTSBURGH CULTURAL TRUST
BRIDGESTONE ARENA
MANCHESTER CITY
ATLANTA FALCONS
FirstEnergy STADIUM
Dollywood PARKS & RESORTS
Lincoln Center
MARCUS PERFORMING ARTS CENTER
SPARTANBURG COUNTY SCHOOL District 6
Little River CASINO RESORT
COLUMBUS CREW
ELITCH Gardens THEME & WATER PARK
CITY OF DETROIT
University HOSPITAL Newark, NJ
BOSTON RED SOX
Wynn LAS VEGAS
DENVER CENTER FOR THE PERFORMING ARTS
Six Flags
GEORGIA AQUARIUM
ACRISURE STADIUM
POTAWATOMI HOTEL & CASINO
GUILFORD County Schools BETTER TOGETHER
PIRATES
ST LOUIS CITY SC
ao Arena
FOUR WINDS CASINO RESORT NEW BUFFALO
SoFi Stadium
BUTLER UNIVERSITY INDIANAPOLIS 1855
Gillette STADIUM
Southern Ohio Medical Center
Very Good things are happening here
Hard Rock
Florence 1 Schools Students first
SARASOTA FAIR
NATIONAL CENTER FOR CIVIL AND HUMAN RIGHTS

Customer Adoption Drove Strong Growth in Subscriptions

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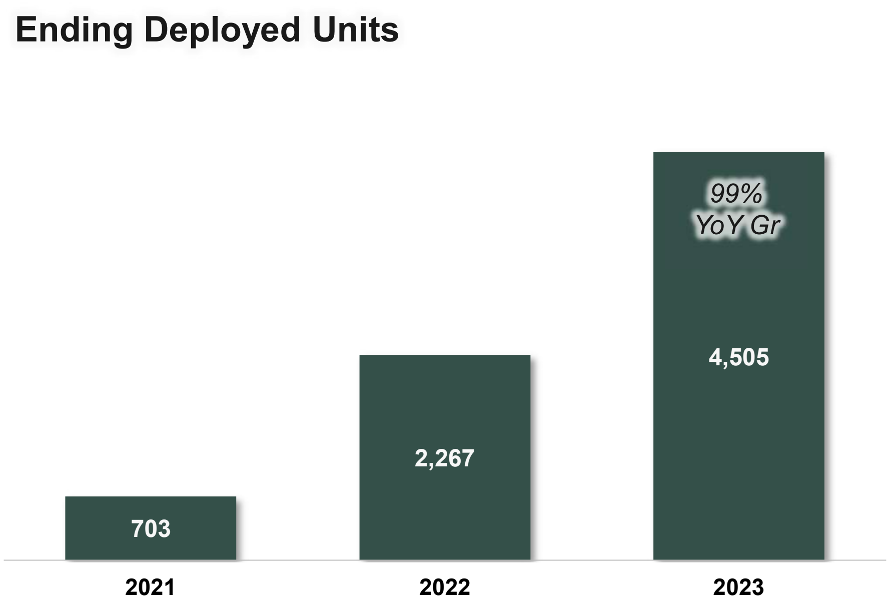
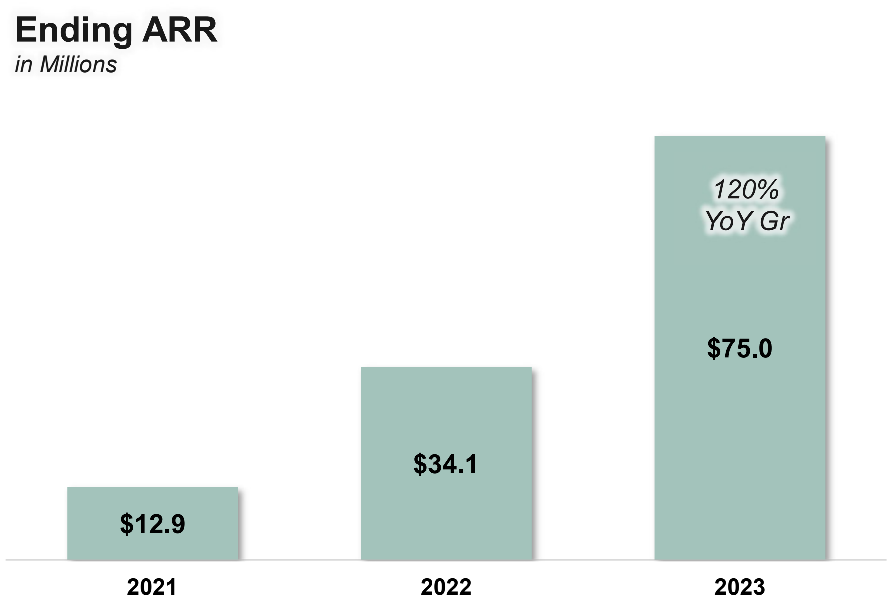




Growing Momentum From Partners

Contract Manufacturing & Distribution

CT

Go to Market in Key Verticals and Geographies

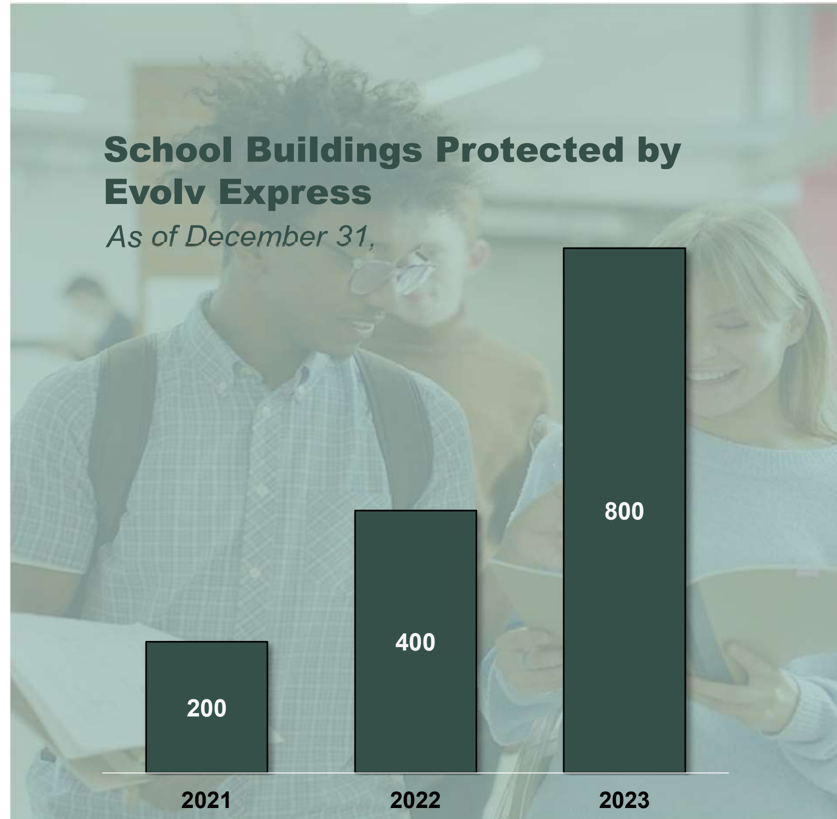
Alliance Technology Group
D-Tech
Johnson Controls
FRANKLIN TECHNOLOGIES & SECURITY
KPRIME TECHNOLOGIES
Enhancing Customer Experiences
NASC
MOTOROLA SOLUTIONS
NSC
PLUGOUT
SECUREFLIGHT LTD
Securitas
STANLEY Security
stone SECURITY
SWN
PT. Tri Sinergi Sejahtera
TARGET DISTRIBUTING
TTIT
Trusted Partner of Security
vti security

Service & Support

RICOH

Accelerating Momentum in Education

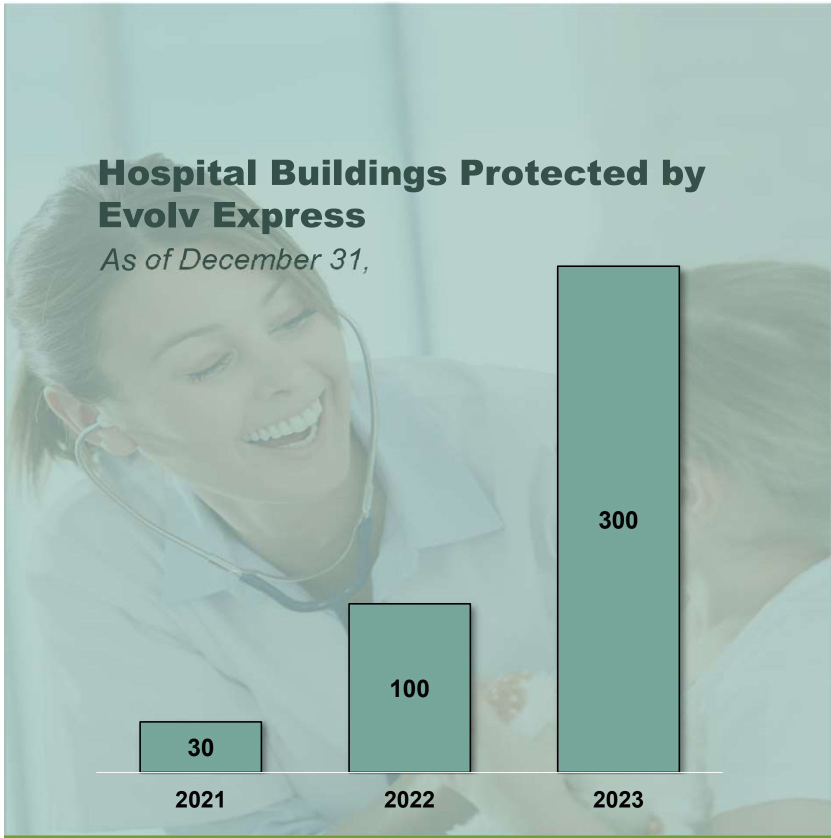
- Firearm-related injuries has become the **leading cause of death** among children and adolescents according to the Center for Disease Control and Prevention
- Gun violence in schools is a top issue for district leadership, school administrators, parents, teachers and students
- We now provide safer zones in **over 800 school buildings**
- We now screen **600,000 school visitors** per day



Partial List of Newest Customers

Continued Growth in Healthcare

- Strong market demand in healthcare which is home to the nation's 6,000 hospitals and over 70% of workplace violence
- Nearly 50% of nurses report experiencing physical violence
- Hospital administrators are making investments to enhance patient and staff safety
- We now serve **over 300 hospital** buildings across the nation
- We now screen nearly **500,000 healthcare visitors** per day



Partial List of Newest Customers

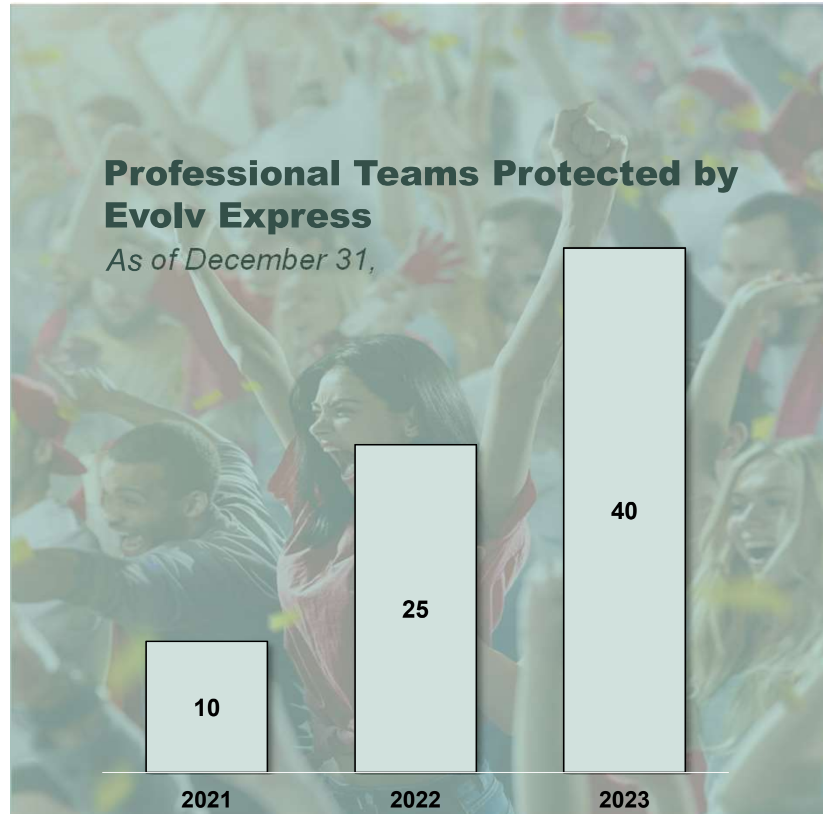
SHORE MEDICAL CENTER Healthcare At Its Best

UPMC LIFE CHANGING MEDICINE

Memorial Healthcare System

Strong Growth in Professional Sports …

- We continue to transform the guest experience for millions of fans at stadiums, arenas and ballparks around the country
- We **added 6 new professional sports teams** in the fourth quarter
- We now screen the fans of over **40** sports teams across the NFL, NBA, MLS, MLB and NHL



Partial List of Newest Customers

ASM GLOBAL

164 MILLION FANS

20,000+
LIVE EVENTS ACROSS SPORTS, MUSIC, ENTERTAINMENT AND BUSINESS

350+
PREMIERE VENUES

THE PREEMINENT VENUE & LIVE EXPERIENCES COMPANY

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Executive Summary

Key Take Summary

1. **Strong fourth quarter and year** with record revenues, ARR and RPO
2. **Growing market awareness** and strong new customer acquisition activity
3. **Evidence of leverage** in our business model
4. **Aggressive growth plans** focused on market leading growth in ARR
5. **Well capitalized** with a focus on reaching cash break even without any additional capital

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Mark Donohue

Chief Financial Officer

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Strong growth trends fueled our financial results in 2023

Q4’23	2023	Leading Indicators
Total Revenues	**Total Revenues**	**Annual Recurring Revenue (ARR)[1]**
$21.8M +4% YoY	**$80.4M** +46% YoY	**$75.0M** +120% YoY
Total Recurring Revenue	**Total Recurring Revenue**	**Remaining Performance Obligation (RPO)[2]**
$17.4M +135% YoY	**$52.5M** +146% YoY	**$240.5M** +66% YoY
80% of Revenue ←	**65% of Revenue**	

[1] Annual Recurring Revenue (ARR) represents subscription revenue and the recurring service revenue related to purchase subscriptions for the final month of the quarter normalized to a one-year period.

[2] Remaining Performance Obligation (RPO) reflects estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied or partially satisfied as of the end of the quarter.

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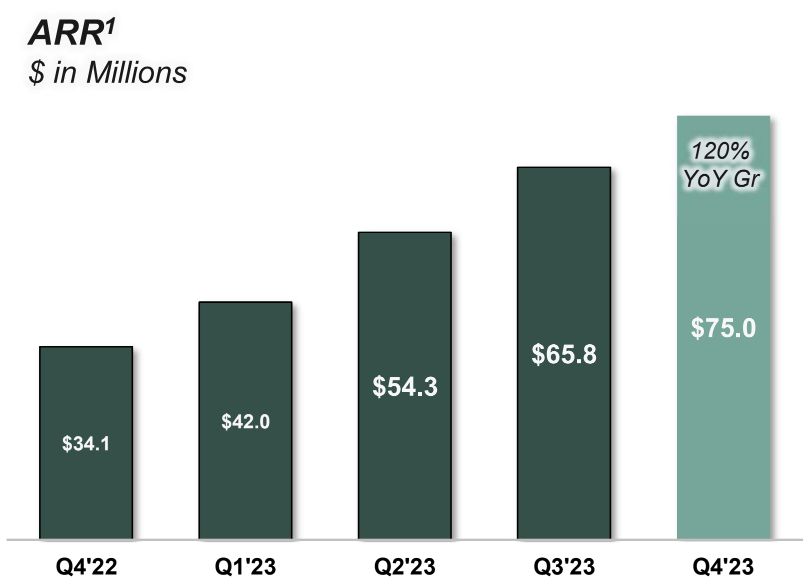
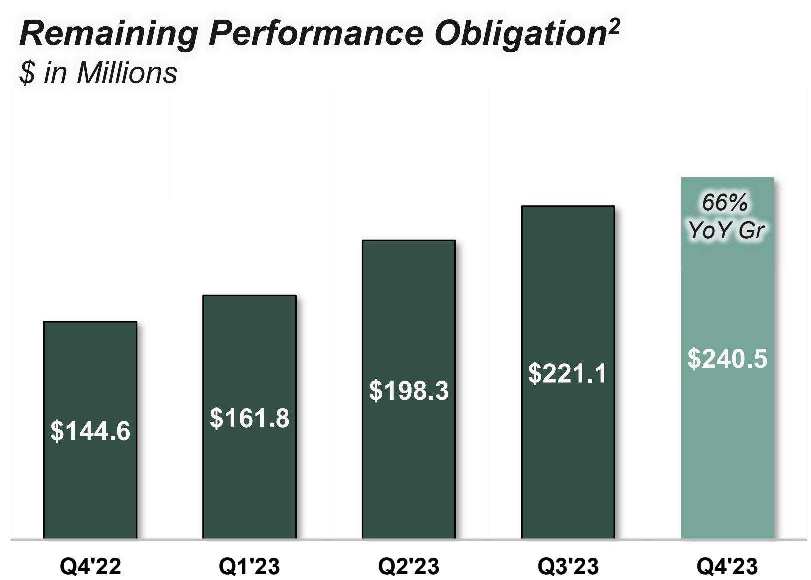
We grew ARR by 120% and RPO by 66% in 2023



[1] ***Annual Recurring Revenue (ARR)*** *represents subscription revenue and the recurring service revenue related to purchase subscriptions for the final month of the quarter normalized to a one-year period.*



[2] ***Remaining Performance Obligation (RPO)*** *reflects estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied or partially satisfied as of the end of the quarter.*

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Strong Q4 and full year financial results

$ (Millions)	Q4 2023	Q4 2022	YoY Chg	2023	2022	YoY Chg
Revenue	$21.8	$20.9	4%	$80.4	$55.2	46%
Gross Margin	47.0%	0.3%		42.1%	3.1%	-
Adjusted Gross Margin *	56.5%	1.3%		45.2%	4.7%	
Operating Expenses	$32.2	$26.9	20%	$122.1	$104.3	17%
Adjusted Operating Expenses *	$24.9	$19.9	25%	$96.0	$77.6	24%
Net Income (Loss)	($16.9)	($28.3)	40%	($106.3)	($86.4)	23%
Adjusted EBITDA *	($9.5)	($18.0)	47%	($49.8)	($69.7)	29%

** Please refer to the Appendix for a full reconciliation of Non-GAAP measures to their most directly comparable GAAP financial measure.*

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Purchase Subscription Transactions Go Through CT

END CUSTOMER

CHANNEL PARTNER

100%
Tier 1 National and
Regional Partners with
Superior Creditworthiness

40%
(CT MSRP)
BOM + CT Fees
H/W IP License Fee

30%
BOM + CT Fees

10%
H/W IP License Fee

60%
(Variable Discount)
S/W License

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Road to Expanding Gross Margin

(Non-GAAP* – % of Revenue)

THE REARVIEW MIRROR – 2022

	% of Revenue	Gross Margin
Product	58%	(30%)
Subscription	32%	59%
Service	8%	55%
License Fee & Other	2%	n/m
Total	**100%**	**5%**

ARR % of Revenue = 39%

THE WINDSHIELD

	% of Revenue	Gross Margin
Product	~5%	Low
Subscription	~75%	60-75%
Service	~5%	60-75%
License Fee & Other	~15%	High
Total	**100%**	**60-70%**

ARR % of Revenue = ~80%

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Fiscal year 2024 business outlook

Estimate	2024 Business Outlook[1]
Total revenue	~$115
Annual Recurring Revenue[2] at 12/31/24	$108-$112
Adjusted Gross Margin[3]	~60%
Adjusted EBITDA[3]	Improve by 40%+

1 Current only as of February 29. 2024
2 Annual Recurring Revenue (ARR) represents subscription revenue and the recurring service revenue related to purchase subscriptions for the final month of the quarter normalized to a one-year period..
3. Adjusted gross margin excludes one-time items and stock-based compensation expense which management believes provides a more meaningful representation of contribution margin. Adjusted EBITDA is defined as net income (loss) plus depreciation and amortization, share-based compensation and other expense. Management presents these non-GAAP financial measures because it considers them to be important supplemental measures of performance. Management uses this non-GAAP financial measures for planning purposes, including analysis of the Company's performance against prior periods, the preparation of operating budgets and to determine appropriate levels of operating and capital investments. Management also believes this non-GAAP financial measures provide additional insight for analysts and investors in evaluating the Company's financial and operational performance. However, non-GAAP financial measures have limitations as an analytical tool and are not intended to be an alternative to financial measures prepared in accordance with GAAP. We intend to provide non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of non-GAAP financial measures will provide consistency in our financial reporting. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. The Company is unable to provide a reconciliation of Adjusted Gross Margin to GAAP Gross Margin and non-GAAP Adjusted EBITDA to Net Income (Loss), each measure's most directly comparable GAAP financial measure, on a forward-looking basis without unreasonable effort, because items that impact these GAAP financial measures are not within the Company's control and/or cannot be reasonably predicted. These items may include, but are not limited to, predicting forward-looking share-based compensation, changes in the fair value of derivative liabilities, changes in the fair value of contingent earn out liabilities, changes in the fair value of contingently issuable common stock liabilities and changes in fair value of public warrant liabilities. Such information may have a significant, and potentially unpredictable, impact on the Company's future financial results.

Advancing on our Target Operating Model

Estimating Five-Year Revenue CAGR of 30%-40%

(Non-GAAP* – % of Revenue)	2022	2023	Levers	Long-Term Target
Gross Margin	5%	45% ✓	Pricing, BOM, Distribution	**60%+**
R&D	27%	25% ✓	Disruptive Innovation	**15-20%**
S&M	64%	56% ✓	Scale and Coverage	**25-30%**
G&A	50%	38% ✓	Scale and Automation	**10-12%**
Adjusted EBITDA	(126%)	(62%) ✓	Investing in High Growth	**10-15%**

Tracking Toward the Rule of 40+

(Revenue Growth + EBITDA Margin)

* Please refer to the Appendix for a full reconciliation of Non-GAAP measures to their most directly comparable GAAP financial measure.

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Q&A Session

Appendix

Financial Statements and Reconciliations

Consolidated Statement of Operations and Comprehensive Loss

(in Thousands, except share and per share data)

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	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022	Twelve Months Ended December 31, 2023	Twelve Months Ended December 31, 2022
Revenue:				
Product revenue	$ 2,789	$ 12,806	$ 21,977	$ 31,985
Subscription revenue	12,586	5,361	37,247	17,569
Service revenue	5,015	2,094	16,141	4,331
License fee and other revenue	1,431	624	5,053	1,310
Total revenue	21,821	20,885	80,418	55,195
Cost of revenue:				
Cost of product revenue	5,214	18,062	26,667	41,575
Cost of subscription revenue	5,003	1,739	14,991	7,469
Cost of service revenue	1,166	548	3,982	2,200
Cost of license fee and other revenue	177	482	949	2,222
Total cost of revenue	11,560	20,831	46,589	53,466
Gross profit	10,261	54	33,829	1,729
Operating expenses:				
Research and development	6,262	4,824	24,455	18,771
Sales and marketing	14,887	13,470	55,223	46,639
General and administrative	11,018	8,451	42,091	37,719
Loss from impairment of property and equipment	—	123	322	1,161
Total operating expenses	32,167	26,868	122,091	104,290
Loss from operations	(21,906)	(26,814)	(88,262)	(102,561)
Other income (expense), net:				
Interest expense	—	(223)	(654)	(712)
Interest income	1,630	1,554	6,227	3,165
Other expense, net	(17)	(7)	(84)	(64)
Loss on extinguishment of debt	—	—	(626)	—
Change in fair value of contingent earn-out liability	2,452	(2,766)	(14,901)	6,988
Change in fair value of contingently issuable common stock liability	422	(657)	(3,138)	1,872
Change in fair value of public warrant liability	580	609	(4,765)	4,906
Total other income (expense), net	$ 5,067	$ (1,490)	$ (17,941)	$ 16,155
Loss before income taxes	(16,839)	(28,304)	(106,203)	(86,406)
Provision for income taxes	(51)	—	(51)	—
Net loss	$ (16,890)	$ (28,304)	$ (106,254)	$ (86,406)
Weighted average common shares outstanding – basic and diluted	151,087,430	144,856,047	149,168,105	143,858,668
Net loss per share - basic and diluted	$ (0.11)	$ (0.20)	$ (0.71)	$ (0.60)
Net loss	$ (16,890)	$ (28,304)	$ (106,254)	$ (86,406)
Other comprehensive loss				
Cumulative translation adjustment	(44)	(45)	(43)	(10)
Total other comprehensive loss	(44)	(45)	(43)	(10)
Total comprehensive loss	$ (16,934)	$ (28,349)	$ (106,297)	$ (86,416)

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Condensed Consolidated Balance Sheets

(in Thousands, except share and per share data)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 67,162	$ 229,783
Restricted cash	275	—
Marketable securities	51,289	—
Accounts receivable, net	22,611	31,920
Inventory	9,507	10,257
Current portion of contract assets	3,707	2,852
Current portion of commission asset	4,339	3,384
Prepaid expenses and other current assets	16,954	14,388
Total current assets	175,844	292,584
Restricted cash, noncurrent	—	275
Contract assets, noncurrent	451	1,386
Commission asset, noncurrent	7,107	5,655
Property and equipment, net	112,921	44,707
Operating lease right-of-use assets	1,195	1,673
Other assets	1,202	1,835
Total assets	$ 298,720	$ 348,115

	December 31, 2023	December 31, 2022
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 17,400	$ 18,194
Accrued expenses and other current liabilities	15,578	11,545
Current portion of deferred revenue	47,677	18,273
Current portion of long-term debt	—	10,000
Current portion of operating lease liabilities	1,391	1,114
Total current liabilities	82,046	59,126
Deferred revenue, noncurrent	23,813	17,695
Long-term debt, noncurrent	—	19,683
Operating lease liabilities, noncurrent	—	892
Contingent earn-out liability	29,119	14,218
Contingently issuable common stock liability	6,530	3,392
Public warrant liability	10,889	6,124
Total liabilities	152,397	121,130
Stockholders' equity:		
Preferred stock, $0.0001 par value; 100,000,000 authorized at December 31, 2023 and December 31, 2022; no shares issued and outstanding at December 31, 2023 and December 31, 2022	—	—
Common stock, $0.0001 par value; 1,100,000,000 shares authorized at December 31, 2023 and December 31, 2022, 151,310,080 and 145,204,974 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	15	15
Additional paid-in capital	444,825	419,190
Accumulated other comprehensive loss	(53)	(10)
Accumulated deficit	(298,464)	(192,210)
Stockholders' equity	146,323	226,985
Total liabilities and stockholders' equity	$ 298,720	$ 348,115

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Summary of Key Operating Statistics

	Three Months Ended or as of,							
($ in thousands)	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
New customers	44	53	92	106	61	74	70	75
Annual recurring revenue	$ 16,641	$ 20,865	$ 28,741	$ 34,120	$ 42,021	$ 54,339	$ 65,774	$ 74,989
Recurring revenue	$ 3,159	$ 4,604	$ 6,221	$ 7,388	$ 9,075	$ 11,689	$ 14,377	$ 17,350
Remaining performance obligation	$ 63,750	$ 80,978	$ 109,407	$ 144,561	$ 161,813	$ 198,296	$ 221,126	$ 240,513
Net additions	207	237	545	575	520	599	628	491
Ending deployed units	910	1,147	1,692	2,267	2,787	3,386	4,014	4,505

Reconciliation of GAAP Operating Expenses to Adjusted Operating Expenses

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Nasdaq Listed

EVOLV TECHNOLOGY
RECONCILIATION OF GAAP OPERATING EXPENSES TO ADJUSTED OPERATING EXPENSES
(In thousands)
(Unaudited)

	Three Months Ended,							
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Operating expenses, GAAP	$ 24,760	$ 25,835	$ 26,827	$ 26,868	$ 27,256	$ 31,039	$ 31,629	$ 32,167
Stock-based compensation	(3,819)	(4,781)	(6,298)	(6,771)	(4,898)	(6,505)	(5,454)	(6,711)
Restructuring expenses	(324)	13	—	—	—	—	—	—
Loss on impairment of lease equipment	(96)	(316)	(626)	(123)	(137)	(157)	(28)	—
Other one-time expenses	(1,107)	(2,298)	(69)	(41)	(53)	(683)	(945)	(535)
Adjusted Operating Expenses	$ 19,414	$ 18,453	$ 19,834	$ 19,933	$ 22,168	$ 23,694	$ 25,202	$ 24,921

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Reconciliation of GAAP Gross Profit to Adjusted Gross Profit and GAAP Gross Margin to Adjusted Gross Margin

EVOLV TECHNOLOGY
RECONCILIATION OF GAAP GROSS PROFIT TO ADJUSTED GROSS PROFIT AND GAAP OPERATING INCOME (LOSS) TO ADJUSTED OPERATING INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Revenue	$ 21,821	$ 20,885	$ 80,418	$ 55,195
Cost of Revenue	11,560	20,831	46,589	53,466
Gross Profit, GAAP	10,261	54	33,829	1,729
Stock-based compensation	137	214	583	829
Amortization of capitalized stock-based compensation	14	9	47	24
Other one-time expenses	1,925	—	1,925	—
Adjusted Gross Profit	$ 12,337	$ 277	$ 36,384	$ 2,582
Gross Margin %	47.0 %	0.3 %	42.1 %	3.1 %
Adjusted Gross Margin %	56.5 %	1.3 %	45.2 %	4.7 %

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Reconciliation of GAAP Gross Profit to Adjusted Gross Profit for Twelve Months Ended Dec. 31, 2022

		Twelve Months Ended December 31, 2022
Product Gross Profit, GAAP	$	(9,590)
Stock-based compensation - Product		104
Amortization of capitalized stock-based compensation - Product		-
Adjusted gross profit - Product	$	(9,486)
Adjusted gross margin - Product		-29.7%
Subscription Gross Profit, GAAP	$	10,100
Stock-based compensation - Subscription		277
Amortization of capitalized stock-based compensation - Subscription		13
Adjusted gross profit - Subscription	$	10,390
Adjusted gross margin - Subscription		59.1%
Service Gross Profit, GAAP	$	2,131
Stock-based compensation - Service		227
Amortization of capitalized stock-based compensation - Service		11
Adjusted gross profit - Service	$	2,369
Adjusted gross margin - Service		54.7%
License Fee Other Gross Profit, GAAP	$	(912)
Stock-based compensation - License Fee and Other		221
Amortization of capitalized stock-based compensation - License Fee and Other		-
Adjusted gross profit - License Fee and Other	$	(691)
Adjusted gross margin - License Fee and Other		-52.7%
Gross Profit, GAAP	$	1,729
Stock-based compensation		829
Amortization of capitalized stock-based compensation		24
Adjusted gross profit	$	2,582
Adjusted gross margin		4.7%

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Reconciliation of GAAP Operating Income (Loss) to Adjusted Operating Income (Loss)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Operating income (loss), GAAP	$ (21,906)	$ (26,814)	$ (88,262)	$ (102,561)
Stock-based compensation	6,848	6,985	24,151	22,498
Amortization of capitalized stock-based compensation	14	9	47	24
Restructuring expenses	—	—	—	311
Loss on impairment of lease equipment	—	123	322	1,161
Other one-time expenses	2,460	41	4,141	3,515
Adjusted Operating Income (Loss)	$ (12,584)	$ (19,656)	$ (59,601)	$ (75,052)

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Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Net loss	$ (16,890)	$ (28,304)	$ (106,254)	$ (86,406)
Depreciation & amortization	3,151	1,683	9,932	5,465
Stock-based compensation	6,848	6,985	24,151	22,498
Interest expense (income)	(1,630)	(1,331)	(5,573)	(2,453)
Provision for income taxes	51	—	51	—
Loss on extinguishment of debt	—	—	626	—
Change in fair value of contingent earn-out liability	(2,452)	2,766	14,901	(6,988)
Change in fair value of contingently issuable common stock liability	(422)	657	3,138	(1,872)
Change in fair value of public warrant liability	(580)	(609)	4,765	(4,906)
Restructuring expenses	—	—	—	311
Loss on impairment of lease equipment	—	123	322	1,161
Other one-time expenses	2,460	41	4,141	3,515
Adjusted EBITDA	$ (9,464)	$ (17,989)	$ (49,800)	$ (69,675)

Reconciliation of GAAP Net Income (Loss) to Adjusted Earnings (Loss)

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	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Net income (loss)	$ (16,890)	$ (28,304)	$ (106,254)	$ (86,406)
Stock-based compensation	6,848	6,985	24,151	22,498
Amortization of capitalized stock-based compensation	14	9	47	24
Loss on extinguishment of debt	—	—	626	—
Change in fair value of contingent earn-out liability	(2,452)	2,766	14,901	(6,988)
Change in fair value of contingently issuable common stock liability	(422)	657	3,138	(1,872)
Change in fair value of public warrant liability	(580)	(609)	4,765	(4,906)
Restructuring expenses	—	—	—	311
Loss on impairment of lease equipment	—	123	322	1,161
Other one-time expenses	2,460	41	4,141	3,515
Adjusted Earnings (Loss)	$ (11,022)	$ (18,332)	$ (54,163)	$ (72,663)
Weighted average common shares outstanding – diluted	151,087,430	144,856,047	149,168,105	143,858,668
Adjusted Earnings (Loss) Per Share – diluted	$ (0.07)	$ (0.13)	$ (0.36)	$ (0.51)

Glossary of Key Terms

Term	Definition
Adjusted EBITDA	Adjusted EBITDA is defined as net income (loss) plus depreciation and amortization, share-based compensation and other expense
Annual recurring revenue (ARR)	Represents subscription revenue and the recurring service revenue related to purchase subscriptions for the final month of the quarter normalized to a one-year period.
Booking	The value of a purchase order received from a customer which has a contract in place.
Contract value for units in backlog	Reflects the revenue expected to be recognized in future periods for units yet to be installed as of the end of the quarter.
Product revenue	Revenue from direct unit sales for purchase subscriptions and revenue from accessories.
Remaining performance obligation (RPO)	Reflects estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied or partially satisfied as of the end of the quarter.
Service Revenue	Revenue from installation and training as well as the subscription component of purchase subscriptions.
Standalone selling price (SSP)	The price in which the hardware and software component of units would be sold if they were sold individually to customers, a component of ASC 606 – Revenue Recognition.
Subscription or active unit or deployed unit	Deployed unit generating recurring revenue, excludes demos and pilots.
Subscription revenue	Revenue from leased units (subscriptions) which is inclusive of the unit and related SaaS/maintenance services.

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