

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

FORM 10-Q

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

For the quarterly period ended June 30, 2021

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 No. 001-38823

HYLIION HOLDINGS CORP.
(Exact Name of Registrant as Specified in Its Charter)

Delaware

**(State or Other Jurisdiction
of Incorporation)**

**1202 BMC Drive, Suite 100,
Cedar Park, TX**

(Address of Principal Executive Offices)

83-2538002

**(IRS Employer
Identification No.)**

78613

(Zip Code)

(833) 495-4466

(Registrant's telephone number, including area code)

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 ☒

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	HYLN	The New York Stock Exchange

As of August 9, 2021, 173,047,745 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

HYLIION HOLDINGS CORP. CONDENSED CONSOLIDATED BALANCE SHEETS (Dollar amounts in thousands, except share and per share data)

	June 30, 2021	December 31, 2020
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 317,712	\$ 389,705
Accounts receivable	92	92
Prepaid expenses and other current assets	3,777	20,690
Short-term investments	139,984	201,881
Total current assets	461,565	612,368
Property and equipment, net	2,039	1,171
Operating lease right-of-use assets	8,676	5,055
Intangible assets, net	283	332
Other assets	250	193
Long-term investments	159,683	35,970
Total assets	\$ 632,496	\$ 655,089
Liabilities and stockholders' equity:		
Current liabilities:		
Accounts payable	\$ 8,098	\$ 1,890
Current portion of operating lease liabilities	722	734
Accrued expenses and other current liabilities	6,131	6,313
Total current liabilities	14,951	8,937
Operating lease liabilities, net of current portion	8,971	5,076
Debt, net of current portion	—	908
Total liabilities	23,922	14,921
Stockholders' Equity:		
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 172,798,338 and 169,316,421 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	20	19
Additional paid-in capital	373,209	364,998
Retained earnings	235,345	275,151
Total stockholders' equity	608,574	640,168
Total liabilities and stockholders' equity	\$ 632,496	\$ 655,089

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

HYLIION HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollar amounts in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating expenses:				
Research and development	\$ (13,389)	\$ (2,554)	(22,721)	(5,225)
Selling, general and administrative	(10,052)	(874)	\$ (17,451)	\$ (1,565)
Loss from operations	(23,441)	(3,428)	(40,172)	(6,790)
Other income (expense):				
Interest expense	—	(1,663)	—	(3,228)
Interest income	197	—	366	—
Change in fair value of convertible notes payable derivative liabilities	—	1,090	—	455
Total other income (expense)	197	(573)	366	(2,773)
Net loss	<u>\$ (23,244)</u>	<u>\$ (4,001)</u>	<u>\$ (39,806)</u>	<u>\$ (9,563)</u>
Weighted-average shares outstanding, basic and diluted	<u>172,260,525</u>	<u>86,777,844</u>	<u>171,260,671</u>	<u>86,770,153</u>
Net loss per share, basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.05)</u>	<u>\$ (0.23)</u>	<u>\$ (0.11)</u>

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

HYLIION HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
(Dollar amounts in thousands, except share data)

For the Six Months Ended June 30, 2021					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
Balance - December 31, 2020	169,316,421	\$ 19	\$ 364,998	\$ 275,151	\$ 640,168
Common stock issued for warrants exercised, net of issuance costs	371,535	—	4,282	—	4,282
Exercise of common stock options	1,831,855	—	287	—	287
Share-based compensation	—	—	1,510	—	1,510
Net loss	—	—	—	(16,562)	(16,562)
Balance - March 31, 2021	171,519,811	19	371,077	258,589	629,685
Exercise of common stock options	1,278,527	1	215	—	216
Share-based compensation	—	—	1,917	—	1,917
Net loss	—	—	—	(23,244)	(23,244)
Balance - June 30, 2021	172,798,338	\$ 20	\$ 373,209	\$ 235,345	\$ 608,574

For the Six Months Ended June 30, 2020					
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
Balance - December 31, 2019	86,762,463	\$ 9	\$ 30,888	\$ (48,966)	\$ (18,069)
Share-based compensation	—	—	57	—	57
Net loss	—	—	—	(5,562)	(5,562)
Balance - March 31, 2020	86,762,463	9	30,945	(54,528)	(23,574)
Exercise of common stock options	234,057	—	25	—	25
Share-based compensation	—	—	34	—	34
Net loss	—	—	—	(4,001)	(4,001)
Balances - June 30, 2020	86,996,520	\$ 9	31,004	(58,529)	(27,516)

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

HYLIION HOLDINGS CORP.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)

	For the Six Months Ended June 30,	
	2021	2020
Cash Flows from Operating Activities:		
Net loss	\$ (39,806)	\$ (9,563)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	414	482
Amortization of investment premiums and discounts	847	—
Noncash lease expense	518	540
Paid-in-kind interest on convertible notes payable	—	690
Amortization of debt discount	—	2,523
Share-based compensation	3,427	91
Change in fair value of convertible notes payable derivative liabilities	—	(455)
Changes in operating assets and liabilities:		
Accounts receivable	—	83
Prepaid expenses and other current assets	4,939	66
Accounts payable	5,940	(332)
Accrued expenses and other current liabilities	(182)	(122)
Operating lease liabilities	(256)	(558)
Net cash used in operating activities	(24,159)	(6,555)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(965)	(80)
Proceeds from sale of property and equipment	—	10
Payments for security deposit	(57)	—
Purchase of investments	(239,021)	—
Proceeds from sale of investments	176,358	—
Net cash used in investing activities	(63,685)	(70)
Cash Flows from Financing Activities:		
Proceeds from exercise of stock warrants, net of issuance costs	16,257	—
(Payments for)/proceeds from Paycheck Protection Program loan	(908)	908
Proceeds from exercise of common stock options	502	25
Proceeds from convertible notes payable issuance and derivative liabilities	—	3,200
Payments for deferred transaction costs	—	(339)
Repayments on finance lease obligations	—	(153)
Net cash provided by financing activities	15,851	3,641
Net decrease in cash and cash equivalents	(71,993)	(2,984)
Cash and cash equivalents- beginning of the period	389,705	6,285
Cash and cash equivalents - end of the period	\$ 317,712	\$ 3,301

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

Supplemental disclosures of noncash financing information:

Acquisitions of property and equipment included in accounts payable	\$ 268	\$ —
Deferred transaction costs included in accounts payable	\$ —	\$ (1,725)

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

1. Description of Organization and Business Operations

On October 1, 2020, our predecessor company, Tortoise Acquisition Corp. (“Tortoise”), consummated a business combination (the “Business Combination”) with Hyliion Inc., a Delaware corporation (“Legacy Hyliion”) pursuant to which Legacy Hyliion merged with and into SHLL Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Tortoise, with Legacy Hyliion surviving the merger (together with the related transactions, the “Business Combination”). Upon consummation of the Business Combination, Legacy Hyliion became a direct wholly-owned subsidiary of Tortoise, and Tortoise was renamed Hyliion Holdings Corp. References to the “Company” in this report refer to Tortoise before the consummation of the Business Combination or Hyliion Holdings Corp. and its wholly owned subsidiary (“Hyliion”, “we” or “us”) after the Business Combination, unless expressly indicated or the context otherwise requires.

Hyliion designs and develops hybrid and electrified powertrain systems for long haul “Class 8” semi-trucks which modify semi-tractors into Hybrid and fully electric range extender vehicles, respectively.

The Company’s Hybrid systems utilize intelligent electric drive axles with advanced algorithms and battery technology to optimize fuel savings and vehicle performance with reduced emissions, enabling fleets to access an easy, efficient way to decrease fuel expenses, lower emissions and/or improve vehicle performance.

The Company’s fully electric range extender systems utilize an intelligent electric powertrain with advanced algorithms to optimize emissions performance and efficiency with no new infrastructure required. The Hypertruck ERX system enables fleets to reduce the cost of ownership while providing the ability to deliver net-negative carbon emissions and operate fully electric when needed.

The Company is in a pre-commercialization stage of development in which its electric Hybrid system is in the testing phase and the Hypertruck ERX system is in the prototype phase.

On October 1, 2020, the Company consummated a business combination which was accounted for as a reverse recapitalization. For more details on the reverse recapitalization, see Note 3 to the Company’s Consolidated Financial Statements as presented in its Annual Report, as amended on Form 10-K/A for the year ended December 31, 2020. As a result of the reverse recapitalization, all references to numbers of common shares and per common share data for 2020 in these condensed consolidated financial statements and related notes have been retroactively adjusted to account for the effect of the reverse recapitalization.

These condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company is an early-stage growth company in the pre-commercialization stage of development and has generated negative cash flows from operating activities since inception. As of June 30, 2021, the Company had a cash and cash equivalents balance of \$317.7 million and total investments of \$299.7 million. Based on this, the Company has sufficient funds to continue to execute its business strategy for the next twelve months.

2. Significant Accounting Policies

Basis of Presentation: On October 1, 2020, the Company consummated the Business Combination which was accounted for as a reverse recapitalization with Legacy Hyliion being deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in Accounting Standards Codification (“ASC”) 805. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Legacy Hyliion issuing stock for the net assets of Tortoise, accompanied by a recapitalization. The net assets of Tortoise are stated at historical cost, with no goodwill or other intangible assets recorded. While Tortoise was the legal acquirer in the Business Combination, because Legacy Hyliion was deemed the accounting acquirer, the historical financial statements of Legacy Hyliion became the historical financial statements of the combined company, upon the consummation of the Business Combination. As a result, the financial statements included in this report reflect (i) the historical operating results of Legacy Hyliion prior to the Business Combination; (ii) the combined results of Tortoise and Legacy Hyliion following the closing of the Business Combination; (iii) the assets and liabilities of Legacy Hyliion at their historical cost; and (iv) the Company’s equity structure for all periods presented. For more details on the reverse recapitalization, see Note 3 to the Company’s Consolidated Financial Statements as presented in its Annual Report, as amended on Form 10-K/A for the year ended December 31, 2020 which was filed with the Securities and Exchange Commission

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

(“SEC”) on May 17, 2021 (the “2020 Amended Annual Report”). As a result of the reverse recapitalization, all references to numbers of common shares and per common share data for 2020 in these condensed consolidated financial statements and related notes have been retroactively adjusted to account for the effect of the reverse recapitalization.

These condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. Intercompany accounts and transactions have been eliminated in consolidation. These interim consolidated statements have been prepared pursuant to the rules and regulations of the SEC, which permit reduced disclosure for interim periods. The Consolidated Balance Sheet as of December 31, 2020 was derived from audited financial statements for the fiscal year then ended, but does not include all necessary disclosures required by accounting principles generally accepted in the United States of America (“GAAP”) with respect to annual financial statements. In the opinion of management, these unaudited condensed consolidated financial statements include all recurring adjustments and normal accruals necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the dates and periods presented. These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company’s 2020 Amended Annual Report. Results for interim periods are not necessarily indicative of the results to be expected for a full fiscal year or for any future period.

Emerging Growth Company: Section 102(b)(1) of the Jumpstart Our Business Startups Act (“JOBS Act”) exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a registration statement under the Securities Act of 1933, as amended (the “Securities Act”) declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended) (the “Exchange Act”) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard, until such time the Company is no longer considered to be an emerging growth company. As of June 30, 2021, the last business day of our most recently completed second fiscal quarter, the market value of our common stock that was held by non-affiliates was greater than \$700 million. As a result, we will become a large accelerated filer and will no longer qualify as an emerging growth company on December 31, 2021, the end of our current fiscal year. Accordingly, at that time we will no longer qualify for the provisions of the JOBS Act that allow companies to adopt new or revised accounting standards when required by private company accounting standards.

Use of estimates and uncertainty of the coronavirus pandemic: The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as reported amounts of expenses during the reporting period. The Company’s most significant estimates and judgments involve valuation of share-based compensation, including the fair value of common stock prior to the Business Combination, and the valuation of the convertible notes payable derivative liability. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to the Company’s condensed consolidated financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared the coronavirus outbreak a pandemic. In mid-March 2020, U.S. state governors, local officials and leaders outside of the U.S. began ordering various “shelter-in-place” orders, which have had various impacts on the U.S. and global economies. This may require greater use of estimates and assumptions in the preparation of the unaudited condensed consolidated financial statements.

As the coronavirus pandemic continues to evolve, the Company believes the extent of the impact to its businesses, operating results, cash flows, liquidity and financial condition will be primarily driven by the severity and duration of the coronavirus pandemic, the pandemic’s impact on the U.S. and global economies and the timing, scope, and effectiveness of federal, state and local governmental responses to the pandemic. Those primary drivers are beyond the Company’s knowledge and control, and as a result, at this time the Company is unable to predict the cumulative impact, both in terms of severity and duration, that the coronavirus pandemic will have on its business, operating results, cash flows and financial condition, but it could be material if the current circumstances continue to exist for a prolonged period. Although the Company has made its best estimates based upon current information, actual results could materially differ from the estimates and assumptions developed

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

by management. If so, the Company may be subject to future impairment charges as well as changes to recorded reserves and valuations.

Recently Adopted Accounting Pronouncements:

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted ASU 2019-12 on January 1, 2021. However, there is no impact to the Company as a result of the adoption in the current quarter, nor is there an expected impact to the Company for the remainder of the year.

3. Debt

Convertible Notes Payable: During January 2020, the Company issued a convertible note payable in exchange for cash totaling \$3.2 million (the “January 2020 Note”). The January 2020 Note bears interest at 6% per annum and matures in January 2025 (five years after its issuance date). The January 2020 Note is only prepayable with the consent of the holder. The January 2020 Note is secured by a first priority, senior secured interest in substantially all the assets of the Company. The January 2020 Note includes the following embedded features:

- (a) Optional conversion upon the next equity financing of at least \$15.0 million in proceeds. The conversion price will be based on the per share price of the next equity financing, with a 50% discount.
- (b) Optional conversion upon a subsequent equity financing of at least \$15.0 million if the holder did not elect to convert upon the next equity financing, at the price that is set by the subsequent equity financing (no discount).
- (c) Optional conversion upon a change in control. In the event of a change in control, the holder can elect to convert the January 2020 Note into shares of common stock at a conversion price equal to (i) the product of the change in control purchase price multiplied by 50%, divided by (ii) the total number of outstanding shares of capital stock of the Company (on a fully diluted basis).
- (d) Optional redemption upon a change in control. In the event of a change in control, the holder can elect to request payment of all outstanding principal (with no penalty) and unpaid accrued interest.
- (e) Optional redemption upon the Company obtaining at least \$10.0 million in commercial debt which would result in the January 2020 Note having the same priority or being treated as subordinate to the commercial debt. In such scenario, the holder can elect to request payment of all outstanding principal (with no penalty) and unpaid accrued interest.
- (f) Automatic or optional redemption upon an event of default. Upon the occurrence of an event of default, the January 2020 Note will either automatically become due and payable or can become due and payable at the holder’s option (based on the nature of the event of default). Upon such acceleration, all outstanding principal (with no penalty) and unpaid accrued interest will become payable.
- (g) Additional interest of 3% (or a total of 9%) upon an event of default.

In addition, in the event the holder did not convert upon an equity financing or change in control event, the noteholder may extend the maturity date of the January 2020 Note by five years beyond the original maturity date.

In addition, in the event the holder did not convert upon an equity financing, the interest rate on the January 2020 Note will automatically be adjusted to a rate of 4% per annum.

The Company assessed the embedded features within the January 2020 Note and determined that the automatic and optional conversion features upon the next equity financing (share-settled redemption features), the additional interest feature and the term extension feature met the definition of a derivative and were not clearly and closely related to the host contract and

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

required separate accounting. The Company also concluded that the conversion features did not represent beneficial conversion features.

At issuance, the Company estimated the fair value of the automatic and optional conversion features to be approximately \$2.7 million.

At issuance, the Company concluded the fair value of the additional interest and term extension features was de minimis.

The terms of the convertible notes payable include certain restrictive covenants related to the Company's ability to enter into certain transactions or agreements, pay dividends, or take other similar corporate actions.

In connection with the reverse recapitalization, immediately prior to the closing of the Business Combination, these convertible notes, plus accrued paid-in-kind interest, were converted into the Company's common stock on the closing date.

Payroll Protection Program loan: During May 2020, the Company received loan proceeds in the amount of \$0.9 million under the Payroll Protection Program (the "PPP"). The PPP was established as part of Coronavirus Aid, Relief, and Economic Security Act and provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the business, subject to certain limitations. The loans and accrued interest are forgivable after eight weeks so long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and so long as the borrower maintains its pre-funding employment and wage levels. Although the Company used the PPP loan proceeds for purposes consistent with the provisions of the PPP and such usage met the criteria established for forgiveness of the loan, the Company repaid the balance of the PPP loan plus accrued interest during the three months ended March 31, 2021.

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

4. Investments

The amortized cost, unrealized gains and losses, and fair value of our held-to-maturity investments at June 30, 2021 and December 31, 2020 are summarized as follows:

	Fair Value Measurements as of June 30, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized	Fair Value
			Losses	
	(in thousands)			
Held-to-maturity investments				
Commercial paper	\$ 106,933	\$ 7	\$ —	\$ 106,940
State and municipal bonds	16,799	—	(16)	16,783
Corporate bonds and notes	175,935	—	(356)	175,579
Total held-to-maturity investments	\$ 299,667	\$ 7	\$ (372)	\$ 299,302

As of June 30, 2021, the Company has determined that the unrealized losses totaling \$0.4 million is temporary and fully expects to recover the cost basis.

	Fair Value Measurements as of December 31, 2020			
	Amortized Cost	Gross Unrealized	Gross Unrealized	Fair Value
		Gains	Losses	
	(in thousands)			
Held-to-maturity investments				
Treasury securities	\$ 149,996	\$ —	\$ (1)	\$ 149,995
Commercial paper	37,963	—	(15)	37,948
Corporate bonds and notes	49,892	—	(63)	49,829
Total held-to-maturity investments	\$ 237,851	\$ —	\$ (79)	\$ 237,772

	June 30, 2021		December 31, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)		(in thousands)	
Due in one year or less	\$ 139,984	\$ 139,980	\$ 201,881	\$ 201,864
Due after one year through five years	159,683	159,322	35,970	35,908
Total held-to-maturity securities	<u>\$ 299,667</u>	<u>\$ 299,302</u>	<u>\$ 237,851</u>	<u>\$ 237,772</u>

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

5. Fair Value Measurements

ASC Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value and the corresponding disclosure requirements around fair value measurements. This topic applies to all financial instruments that are being measured and reported on a fair value basis.

The following table shows the fair value measurements of the Company's assets that are measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020.

Fair Value Measurements as of June 30, 2021				
	Level I	Level II	Level III	Total
	(in thousands)			
Assets				
Cash and cash equivalents	\$ 317,712	\$ —	\$ —	\$ 3
Held-to-maturity investments:				
Commercial paper	—	106,940	—	1
State and municipal bonds	—	16,783	—	
Corporate bonds and notes	—	175,579	—	1
Total Assets	\$ 317,712	\$ 299,302	\$ —	\$ 6
Fair Value Measurements as of December 31, 2020				
	Level I	Level II	Level III	Total
	(in thousands)			
Assets				
Cash and cash equivalents	\$ 389,705	\$ —	\$ —	\$ 3
Held-to-maturity investments:				
Treasury securities	—	149,995	—	1
Commercial paper	—	37,948	—	
Corporate bonds and notes	—	49,829	—	
Total Assets	\$ 389,705	\$ 237,772	\$ —	\$ 6

6. Commitments and Contingencies

Legal Proceedings: The Company is periodically involved in legal proceedings, legal actions and claims arising in the normal course of business, including proceedings relating to product liability, intellectual property, safety and health, employment, and other matters. Management believes that the outcome of such legal proceedings, legal actions and claims will not have a significant adverse effect on the Company's financial position, results of operations or cash flows.

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

7. Warrants

On November 30, 2020, the Company issued a notice of redemption of all its outstanding Public Warrants and Forward Purchase Warrants which was completed in December 2020. However, the Private Warrants held by the initial holders thereof or permitted transferees of the initial holders were not subject to this redemption. As of December 31, 2020, all outstanding Public Warrants and Forward Purchase Warrants were either exercised or redeemed by the holder. As of December 31, 2020, the Company's transfer agent received gross proceeds of \$140.8 million corresponding to the exercise of 15,786,127 warrants. However, due to the timing of the receipt of the warrant exercise and the cash, the Company's transfer agent issued 15,414,592 shares of common stock as of December 31, 2020. The remaining 371,535 shares of common stock were issued in January 2021. Additionally, as of December 31, 2020, the Company's transfer agent had not yet remitted \$12.0 million of the gross proceeds associated with the shares of issued common stock to the Company and is included within prepaid expenses and other current assets on the accompanying consolidated balance sheets as of December 31, 2020. There were 281,065 warrants not exercised by the end of the redemption period that were redeemed for a price of \$0.01 per warrant, and subsequently cancelled by the Company. The Company made the redemption payment on these cancelled warrants in January 2021. Certain holders of the warrants elected a cashless exercise, resulting in the forfeiture of 3,118,445 shares. The accrued liability totaling \$4.3 million for warrants exercised but not settled represents all warrants that were exercised as of December 31, 2020 under broker protects resulting in cash collection and share issuance being delayed until January 4, 2021.

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

8. Share-based Compensation

During the six months ended June 30, 2021, the Company granted 3,277,315 restricted stock units and performance stock units to certain employees some of which will vest over a period of three or four years, and some of which will vest based on achievement of performance criteria. The criteria for the performance stock unit awards is based on the achievement of key milestones based on the Company's performance.

During the six months ended June 30, 2020, the Company awarded 1,920,000 options to certain employees and non-employees, which will vest over a period of four years. The estimated grant date fair value of the options granted during the six months ended June 30, 2020 totaled \$0.4 million.

Share-based compensation expense for the three and six months ended June 30, 2021 was \$1.9 million and \$3.4 million, respectively. Share-based compensation expense for the three and six months ended June 30, 2020 was \$0.03 million and \$0.09 million, respectively.

9. Leases

The Company has operating and finance leases for its corporate office, temporary office, vehicles and equipment. In June 2021, the Company amended the lease for its corporate office. This amendment increased the amount of space under the original lease, adjusted the monthly lease payments, and extended the term of the lease through 2028. The Company accounted for this extension as a lease modification and recorded an increase to the operating lease right-of-use (ROU) assets and lease liability of approximately \$4.1 million in the condensed consolidated balance sheets. The lease amendment includes the option to extend the term for up to two consecutive terms of five years each. When an implicit rate is not provided, the Company uses its incremental borrowing rate based on the information available at the lease commencement of modification date in determining the present value of the lease payments. In connection with the lease amendment on July 2, 2021, the Company provided the lessor with a letter of credit for approximately \$0.7 million to secure the performance of lease obligations. The Company provided the issuing bank with a restricted cash deposit that the bank will hold to cover its obligation to pay any draws on the letter of credit by the lessor.

The following table provides supplemental cash flow information for the six months ended June 30, 2021 and 2020:

	For the Six Months Ended June 30,	
	2021	2020
	(in thousands)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ (625)	\$ (808)
Operating cash flows from finance leases	\$ (1)	\$ (27)
Right-of-use assets obtained in exchange for lease obligations	\$ 4,139	\$ —

HYLIION HOLDINGS CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except for separately indicated)

10. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share of common stock for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:	(Dollar amounts in thousands, except share data)			
Net loss attributable to common stockholders	\$ (23,244)	\$ (4,001)	\$ (39,806)	\$ (9,563)
Denominator:				
Weighted average shares outstanding, basic and diluted	172,260,525	86,777,844	171,260,671	86,770,153
Net loss per share, basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.05)</u>	<u>\$ (0.23)</u>	<u>\$ (0.11)</u>

The Company excluded the following potential common shares from the computation of diluted net loss per share for the three and six months ended June 30, 2021 and 2020 because including them would have had an anti-dilutive effect:

	Three Months Ended June, 30		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options, including incentive stock options and non-qualified	3,852,897	6,685,909	3,852,897	6,685,909
Unvested restricted stock units	3,194,865	—	3,194,865	—
Total	<u>7,047,762</u>	<u>6,685,909</u>	<u>7,047,762</u>	<u>6,685,909</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

References to “we,” “us,” “our” or the “Company” are to Hyliion Holdings Corp., together with its wholly owned subsidiary, except where the context requires otherwise. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this report and our audited consolidated financial statements and related notes thereto in our 2020 Amended Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. Our forward-looking statements include, but are not limited to, statements regarding our or our management team's expectations, hopes, beliefs, intentions, or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this report are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, our ability to disrupt the powertrain market, our focus in 2021 and beyond; the effects of our dynamic and proprietary solutions on its commercial truck customers; the ability to accelerate the commercialization of the Hypertruck ERX; our ability to meet 2021 and future product milestones; the impact of COVID-19 on long-term objectives; the ability of our solutions to reduce carbon intensity and greenhouse gas emissions and the other risks and uncertainties described under the heading “Risk Factors” in our other SEC filings including in our 2020 Amended Annual Report (See Item 1A. Risk Factors). Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Overview

Hyliion is a Delaware corporation headquartered in Cedar Park, Texas. On October 1, 2020, Tortoise Acquisition Corp. (“Tortoise”) entered into a Business Combination with each of the shareholders of Hyliion Inc. (“Legacy Hyliion”), and consummated the merger contemplated by the Business Combination, with Legacy Hyliion surviving the merger as a wholly-owned subsidiary of Tortoise, which was renamed “Hyliion Holdings Corp.” As a result of the Business Combination, we became a NYSE listed company.

Our mission is to be the leading provider of electrified powertrain solutions for the commercial vehicle industry. Our goal is to reduce the carbon intensity and the Greenhouse Gas (“GHG”) emissions of the transportation sector by providing electrified powertrain solutions for Class 8 semi trucks at the lowest total cost of ownership (“TCO”). Throughout our product offerings, we utilize proprietary battery systems, control software and data analytics, combined with fully integrated electric motors and power electronics, to produce electrified powertrain systems that either augment, in the case of our Hybrid system, or fully replace, in the case of the Hypertruck ERX system, traditional diesel or natural gas fueled powertrains and improve their performance. By reducing both GHG emissions and TCO, our environmentally conscious solutions support our customers’ pursuit of their sustainability and financial objectives.

We are currently developing two electrified powertrain systems for long-haul Class 8 commercial vehicles: our Hybrid system and our Hypertruck ERX system. Our Hybrid system has been installed in low volumes on our initial customers’ commercial vehicles. Across the customer installations and over the entire Hyliion fleet we have accumulated millions of real world road miles on Class 8 commercial vehicles. Our Hybrid system can either be installed on a new vehicle prior to entering fleet service or retrofit to an existing in-service vehicle. Our Hypertruck ERX system is in the development stage with vehicles being built for testing and validation. Our Hypertruck ERX system’s design and technology leverages the experience and operating data from our Hybrid system to replace the traditional diesel powertrain installed in new vehicles. Our Hypertruck ERX system will offer commercial vehicle owners and operators a net carbon negative electrified powertrain option for Class 8 commercial vehicles, when using certain Renewable Natural Gas (“RNG”).

Our initial expected deliveries of our Hypertruck ERX systems to customers are designed to have their batteries recharged with Compressed Natural Gas (“CNG”). CNG fueled recharging is preferable due to both the current comparable cost of fuels and existing availability of CNG refueling infrastructure. Class 8 commercial vehicles can currently be refueled with CNG through existing, geographically diverse, and third-party accessible natural gas refueling stations established across North America. Globally, RNG, CNG and liquefied natural gas (“LNG”) are used widely for land-based transport and trucking and Hyliion believes there are established, geographically diverse and third-party accessible refueling stations available in certain areas in which Hyliion expects it may sell its electrified powertrain solutions in the future. We believe there is opportunity for adoption of our electrified powertrain solutions across Europe. This existing and accessible refueling infrastructure will significantly reduce the buildout time and cost required to utilize our Hypertruck ERX system as compared to other proposed potential electrified solutions. See “Risk Factors — Our future growth is dependent upon the commercial trucking industry’s willingness to adopt alternative fuel, hybrid and electric vehicles” discussed in our 2020 Amended Annual Report.

Our Hybrid and Hypertruck ERX systems are designed to be able to be installed on most major Class 8 commercial vehicles in the long term, which will give our customers the flexibility to continue using their preferred vehicle brands and maintain their existing fleet maintenance and operations strategies. Our early Hybrid system deployments include leaders in the transportation and logistics sector. We are focusing its initial marketing efforts on large fleet operators as well as companies committed to reducing the overall environmental impact and fuel costs of their owned and operated trucking fleets.

Recent Developments

None.

Comparability of Financial Information

Our historical operations and statements of assets and liabilities may not be comparable to our operations and statements of assets and liabilities as a result of the Business Combination and becoming a public company.

Business Combination and Public Company Costs

On October 1, 2020, we consummated the merger contemplated by the Business Combination, with Legacy Hyliion surviving the merger as a wholly-owned subsidiary of Tortoise, which was renamed Hyliion Holdings Corp.

Immediately prior to the closing of the Business Combination, all shares of issued and outstanding redeemable convertible preferred stock converted into shares of Legacy Hyliion common stock and all outstanding convertible notes payable plus accrued interest converted into shares of Legacy Hyliion common stock at the discount rates set forth in the original agreements. Upon the consummation of the Business Combination, each share of Legacy Hyliion common stock issued and outstanding was cancelled and converted into the right to receive the per share merger consideration. Additionally, Legacy Hyliion issued 1,000,000 shares of Legacy Hyliion common stock with a grant date fair value of \$10.00 per share to one of the convertible noteholders in connection with a business arrangement entered into in June 2020.

Upon the closing of the Business Combination, Tortoise’s certificate of incorporation was amended and restated to, among other things, increase the total number of authorized shares of capital stock to 260,000,000 shares, of which 250,000,000 shares were designated common stock, \$.0001 par value per share, and of which 10,000,000 shares were designated preferred stock, \$.0001 par value per share.

In connection with the Business Combination, a number of investors purchased from the Company an aggregate of 30,750,000 shares of common stock, for a purchase price of \$10.00 per share and an aggregate purchase price of \$307.5 million pursuant to separate subscription agreements entered into effective June 18, 2020 (the “PIPE”). The PIPE investment closed simultaneously with the consummation of the Business Combination. Additionally, a purchaser purchased 1,750,000 Tortoise units (each unit consisting of one share of common stock and one half of one warrant, consisting of 1,750,000 shares of common stock and warrants to purchase 875,000 shares of common stock for an aggregate purchase price of \$17.5 million pursuant to a forward purchase agreement entered into effective February 6, 2019, as amended by the First Amendment to Amended and Restated Forward Purchase Agreement, dated June 18, 2020. On November 30, 2020, the Company issued a notice of redemption of all its outstanding Public Warrants and Forward Purchase Warrants which was completed in December 2020.

Legacy Hyliion was deemed the accounting acquirer in the Business Combination based on an analysis of the criteria outlined in ASC 805. The determination was primarily based on Legacy Hyliion’s stockholders prior to the Business Combination

having a majority of the voting interests in the combined company, Legacy Hyliion's board of directors comprising a majority of the board of directors of the combined company, Legacy Hyliion's existing shareholders' control over decisions regarding the election and removal of directors and officers of the combined company's board of directors, and Legacy Hyliion's senior management comprising the senior management of the combined company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Legacy Hyliion issuing stock for the net assets of Tortoise, accompanied by a recapitalization. The net assets of Tortoise are stated at historical cost, with no goodwill or intangible assets recorded.

As a result of the Business Combination, we became a NYSE listed company, which requires us to hire additional personnel and implement procedures and processes to address public company regulatory requirements and customary practices. We have incurred, and expect to continue to incur, additional annual expenses as a public company for, among other things, directors' and officers' liability insurance, director fees and additional internal and external accounting, legal and administrative resources, including increased audit, compliance, and legal fees.

Key Factors Affecting Operating Results

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including but not limited to those discussed below and in Item 1A "Risk Factors" in our 2020 Amended Annual Report.

Successful commercialization of our drivetrain solutions

We expect to derive future revenue from our Hybrid systems and Hypertruck ERX system. Our Demonstrator Hybrid system is available today, offering customers the immediate ability to lower costs and improve environmental impact, and we intend to introduce our improved Hybrid system for customer deliveries in late 2021 and intend to continue to make rolling improvements to this next iteration Hybrid system going forward. Demos of our Hypertruck ERX system are projected to be showcased with fleets in late 2021, followed by evaluation and testing throughout 2022. The Hypertruck ERX is projected to be commercially available in late 2022. To reach commercialization, we must purchase and integrate related property and equipment, as well as achieve several research and development milestones. We anticipate that a substantial portion of our capital resources and efforts in the near future will be focused on the continued development and commercialization of our drivetrain solutions. The amount and timing of our future funding requirements, if any, will depend on many factors, including the pace and results of our research and development efforts, as well as factors that are outside of our control.

Customer Demand

As discussed above in more detail, we have deployed our Demonstrator Hybrid system units to a number of companies, and our Hypertruck ERX system is generating interest from companies who have received our Demonstrator Hybrid system units and potential new customers.

Key Components of Statements of Operations

Research and Development Expense

Research and development expenses consist primarily of costs incurred for the discovery and development of our electrified powertrain solutions, which include:

- personnel-related expenses including salaries, benefits, travel, and share-based compensation, for personnel performing research and development activities;
- fees paid to third parties such as consultants and contractors for outsourced engineering services;
- expenses related to materials, supplies and third-party services;
- depreciation for equipment used in research and development activities; and
- allocation of general overhead costs.

We expect research and development costs to increase for the foreseeable future as we continue to invest in research and development activities to achieve operational and commercial goals.

Selling, General and Administrative Expense

Selling, general and administrative expenses consist of personnel-related expenses for our corporate, executive, finance, sales, marketing and other administrative functions, expenses for outside professional services, including legal, audit and accounting services, as well as expenses for facilities, depreciation, amortization, travel, sales, and marketing costs. Personnel-related expenses consist of salaries, benefits, and share-based compensation.

We expect our selling, general and administrative expenses, including legal, audit, and additional insurance expenses, investor relations activities and other administrative and professional services, to increase for the foreseeable future as we scale headcount with the growth of our business and operate as a public company in compliance with the rules and regulations of the SEC.

Other Income (Expense), Net

Other income and expenses consist primarily of interest expense incurred on our debt obligations, interest income earned on our investments and a remeasurement gain or loss associated with the change in the fair value on our convertible notes payable derivative liabilities.

Results of Operations

Comparison of Three Months Ended June 30, 2021 to Three Months Ended June 30, 2020

The following table summarizes our results of operations on a consolidated basis for the three months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		\$	%
	2021	2020	Change	Change
Operating expenses				
Research and development	\$ (13,389)	\$ (2,554)	\$ (10,835)	424.2 %
Selling, general and administrative	(10,052)	(874)	(9,178)	1050.1 %
Loss from operations	(23,441)	(3,428)	(20,013)	583.8 %
Other income (expense):				
Interest expense	—	(1,663)	1,663	(100.0)%
Interest income	197	—	197	— %
Change in fair value of convertible notes payable derivative liabilities	—	1,090	(1,090)	(100.0)%
Total other income (expense)	197	(573)	770	(134.4)%
Net loss	<u>\$ (23,244)</u>	<u>\$ (4,001)</u>	<u>\$ (19,243)</u>	<u>481.0 %</u>
Weighted-average shares outstanding, basic and diluted	172,260,525	86,777,844	85,482,681	98.5 %
Net loss per share, basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.05)</u>	<u>\$ (0.08)</u>	<u>160.0 %</u>

Research and Development

Research and development expenses increased by \$10.8 million from \$2.6 million for the three months ended June 30, 2020 to \$13.4 million for the three months ended June 30, 2021 primarily as a result of increased expenditures by \$6.2 million for components utilized in the development process to commercialize our Hybrid system and continue the design and testing of our Hypertruck ERX system, increased labor by \$2.3 million as we build out our engineering team and continue to build out our operations team and capabilities, increased expenditures for external consultancy by \$1.6 million to bring in industry expertise to assist in achieving our commercialization milestones, and increase expenditures by \$0.7 million for other expenses.

Selling, General and Administrative

Selling, general, and administrative expenses increased by \$9.2 million from \$0.9 million for the three months ended June 30, 2020 to \$10.1 million for the three months ended June 30, 2021, primarily due to increased expenditures for legal fees and professional fees by \$2.5 million, additional costs incurred to operate as a public company which includes increased expenses for personnel and benefits by \$3.8 million, increased expenditures for directors and officers insurance by \$1.1 million, increased marketing and promotional expenses by \$0.5 million, increased information technology expenses associate with additional resource and computer system upgrades of \$0.3 million, and increased expenditures for other expenses by \$1.0 million.

Other Income (Expense)

Total other income increased by \$0.8 million from \$0.6 million of other expense for the three months ended June 30, 2020 to \$0.2 million of other income for the three months ended June 30, 2021. The increase was primarily due to the following:

- Interest expense for the three months ended June 30, 2020 of \$1.7 million was primarily related to our convertible notes payable, which was converted to shares of common stock as part of the Business Combination in October 2020. As such, there was no interest expense during the three months ended June 30, 2021.
- A loss from the change in fair value of convertible notes payable derivative liabilities of \$1.1 million for the three months ended June 30, 2020. The convertible notes payable were converted to shares of common stock as part of the Business Combination in October 2020. As such, there was no change in fair value of convertible notes payable derivative liabilities during the three months ended June 30, 2021, and
- Interest income of \$0.2 million on investments owned during the three months ended June 30, 2021 that were not owned during the comparative period.

Comparison of Six Months Ended June 30, 2021 to Six Months Ended June 30, 2020

The following table summarizes our results of operations on a consolidated basis for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		\$	%
	2021	2020	Change	Change
Operating expenses				
Research and development	\$ (22,721)	\$ (5,225)	\$ (17,496)	334.9 %
Selling, general and administrative	(17,451)	(1,565)	(15,886)	1015.1 %
Loss from operations	(40,172)	(6,790)	(33,382)	491.6 %
Other income (expense):				
Interest expense	—	(3,228)	3,228	(100.0)%
Interest income	366	—	366	— %
Change in fair value of convertible notes payable derivative liabilities	—	455	(455)	(100.0)%
Total other income (expense)	366	(2,773)	3,139	(113.2)%
Net loss	\$ (39,806)	\$ (9,563)	\$ (30,243)	316.3 %
Weighted-average shares outstanding, basic and diluted	171,260,671	86,762,463	84,498,208	97.4 %
Net loss per share, basic and diluted	\$ (0.23)	\$ (0.11)	\$ (0.12)	109.1 %

Research and Development

Research and development expenses increased by \$17.5 million from \$5.2 million for the six months ended June 30, 2020 to \$22.7 million for the six months ended June 30, 2021 primarily as a result of increased expenditures for components utilized in

the development process by \$7.0 million in our efforts to commercialize our Hybrid system and continue the design and testing of our Hypertruck ERX system, increased expenditures for external consultancy by \$4.6 million to bring in industry expertise to assist in achieving our commercialization milestones, increased labor by \$3.9 million as we build out our engineering team and continue to build out our operations team and capabilities, and increased costs by \$2.0 million associated with the purchase of vehicles and equipment to be used in testing of our products.

Selling, General and Administrative

Selling, general, and administrative expenses increased by \$15.9 million from \$1.6 million for the six months ended June 30, 2020 to \$17.5 million for the six months ended June 30, 2021, primarily due to additional costs incurred to operate as a public company which includes increased expenses for personnel and benefits by \$6.7 million, increased expenditures for legal and professional fees by \$4.8 million, increased expenditures for directors and officers insurance by \$2.3 million, increased marketing and promotional expenses by \$0.7 million, increased information technology expense associated with additional resources and computer system upgrades of \$0.5 million, and increased expenditures for other expenses by \$0.9 million.

Other Income (Expense)

Total other income increased by \$3.2 million from \$2.8 million of other expense for the six months ended June 30, 2020 to \$0.4 million of other income for the six months ended June 30, 2021. The increase was primarily due to the following:

- Interest expense for the six months ended June 30, 2020 of \$3.2 million was primarily related to our convertible notes payable, which was converted to shares of common stock as part of the Business Combination in October 2020. As such, there was no interest expense during the six months ended June 30, 2021.
- A gain from the change in fair value of convertible notes payable derivative liabilities of \$0.5 million for the six months ended June 30, 2020. The convertible notes payable were converted to shares of common stock as part of the Business Combination in October 2020. As such, there was no change in fair value of convertible notes payable derivative liabilities during the six months ended June 30, 2021, and
- Interest income of \$0.4 million on investments owned during the six months ended June 30, 2021 that were not owned during the comparative period.

Liquidity and Capital Resources

Prior to the Business Combination, the Company's operations were financed through private placements of redeemable convertible preferred stock and the issuance of convertible notes payable. As of June 30, 2021, our principal sources of liquidity were our cash and cash equivalents in the amount of \$317.7 million, which are primarily invested in money market funds.

On November 30, 2020, we issued a notice of redemption to the warrant holders for a redemption of all the outstanding warrants, on a cash basis, or in the case of the private placement warrants issued in connection with Tortoise's initial public offering in March 2019 on a cashless basis. As a result, we raised gross proceeds of \$140.8 million, \$16.3 million of which was received during the first quarter of 2021.

As of the date of this Quarterly Report on Form 10-Q, we have yet to generate revenue from our core business operations. As of June 30, 2021, our current assets were \$461.5 million, consisting primarily of cash and cash equivalents of \$317.7 million, short-term investments of \$140.0 million, and prepaid expenses and other current assets of \$3.8 million. Our current liabilities were \$15.0 million primarily comprised of accounts payable, accrued expenses, and operating lease liabilities.

We believe the credit quality and liquidity of our investment portfolio as of June 30, 2021 is strong and will provide sufficient liquidity to satisfy operating requirements, working capital purposes and strategic initiatives. The unrealized gains and losses of the portfolio may remain volatile as changes in the general interest environment and supply/demand fluctuations of the securities within our portfolio impact daily market valuations. To mitigate the risk associated with this market volatility, we deploy a relatively conservative investment strategy focused on capital preservation and liquidity whereby no investment security may have a final maturity of more than 36 months from the date of acquisition or a weighted average maturity exceeding 18 months. Eligible investments under the Company's investment policy bearing a minimum credit rating of A1, A-1, F1 or higher for short-term investments and A2, A, or higher for longer-term investments include money market funds, commercial paper, certificates of deposit, and municipal securities. Additionally, all our debt securities are classified as held-to-maturity as we have the intent and ability to hold these investment securities to maturity, which minimizes the realized losses that we would recognize. However, even with this approach we may incur investment losses as a result of unusual or

unpredictable market developments, and we may experience reduced investment earnings if the yields on investments deemed to be low risk remain low or decline further due to unpredictable market developments. In addition, these unusual and unpredictable market developments may also create liquidity challenges for certain of the assets in our investment portfolio.

Based on our past performance, we believe our current assets will be sufficient to continue and execute on our business strategy and meet our capital requirements for the next twelve months. Our primary short-term cash needs are paying operating expenses. We expect to continue to incur net losses in the short term, as we continue to execute on our strategic initiatives by (i) completing the development and commercialization of the hybrid and electrified drive systems for long haul “Class 8” semi-tractors, (ii) scaling the Company’s operations to meet anticipated demand, and (iii) hiring personnel. However, actual results could vary materially and negatively as a result of a number of factors including, but not limited to, those discussed in the section “Risk Factors” in Item 1A “Risk Factors” in our 2020 Amended Annual Report.

Cash Flows Summary

Presented below is a summary of Hyliion’s operating, investing, and financing cash flows:

Cash Flows Used in Operating Activities

For the six months ended June 30, 2021, cash flows used in operating activities were \$24.2 million. The cash used primarily related to Hyliion’s net loss of \$39.8 million, adjusted for changes in Hyliion’s working capital accounts of \$10.4 million and certain non-cash expense of \$5.2 million (including \$0.5 million related to non-cash lease expense, \$0.4 million related to depreciation and amortization, \$0.8 million related to amortization of investment premiums and discounts, and \$3.4 million related to share based compensation).

For the six months ended June 30, 2020, cash flows used in operating activities were \$6.6 million. The cash used primarily related to Hyliion’s net loss of \$9.6 million, adjusted for changes in Hyliion’s working capital accounts of \$0.9 million and certain non-cash expense of \$3.9 million (including \$0.5 million related to non-cash lease expenses, \$0.5 million related to depreciation and amortization, \$0.5 million related to a gain from the change in fair value of the convertible notes payable derivative liabilities, \$2.5 million related to amortization of the debt discount and \$0.7 million related to paid-in-kind interest on convertible notes payable).

Cash Flows Used in Investing Activities

For the six months ended June 30, 2021, cash used in investing activities primarily relates to the purchase of investments and totaled \$239.0 million along with capital expenditures of \$1.0 million, offset by the proceeds from the sale of investments and totaled \$176.4 million.

For the six months ended June 30, 2020, cash used in investing primarily relates to net capital expenditures and totaled \$0.7 million.

Net cash used in investing activities is expected to continue to increase substantially as we purchase additional property and equipment as we continue the development of our Hybrid and Hypertruck ERX systems and scales the manufacturing operations to meet anticipated demand.

Cash Flows Provided by Financing Activities

For the six months ended June 30, 2021, cash provided by financing activities was \$15.9 million, which was primarily generated from proceeds from the exercise of warrants of \$16.2 million and proceeds from the exercise of stock options of \$0.5 million, partially offset by the repayment of the PPP loan of \$0.9 million.

For the six months ended June 30, 2020, cash provided by financing activities was \$3.6 million which was primarily due to \$3.2 million of proceeds from the issuance of a convertible note payable and derivative liabilities and proceeds from the PPP loan of \$0.9 million, partially offset by the repayment on finance lease obligations and payments for deferred transaction costs of \$0.5 million.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we applied the same critical accounting policies as described in our 2020 Amended Annual Report that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenues, and expenses.

Off-Balance Sheet Arrangements

During the periods presented, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which were established for the purpose of facilitating off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Based on our management's evaluation (with the participation of our Principal Executive Officer and Principal Financial Officer) of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, our Principal Executive Officer and Principal Financial Officer have concluded that, as of June 30, 2021, in light of the material weaknesses described below, certain of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective to ensure that the 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 management as appropriate to allow timely decisions regarding required disclosure as of June 30, 2021.

Material Weaknesses in Internal Control over Financial Reporting

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

As previously identified and described under Item 9A in the Company's 2020 Amended Annual Report, the following material weaknesses, which were discovered to be material during 2020, were present at December 31, 2020: (a) segregation of duties (resulting from the small number of individuals performing the accounting functions), including the lack of a formal journal entry review and approval process; (b) the design and operation of our information technology general controls; and (c) our overall closing and financial reporting processes, including accounting for significant and unusual transactions.

The material weaknesses described above could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation

To remediate the material weaknesses described above, we are implementing and/or plan to implement the following:

- To remediate the segregation of duties issue, the Company plans to leverage NetSuite configuration and workflow while expanding the accounting team and reviewing roles;
- To remediate the lack of a formal journal entry review and approval process, during the three months ended March 31, 2021, the Company implemented workflow steps within NetSuite to ensure all journal entries are approved before posting to the general ledger;

- To remediate the information technology controls issue, the Company is implementing NetSuite, an Oracle cloud-based ERP and financial reporting solution. This solution will allow personnel to implement workflow controls;
- To remediate the material weakness in the overall closing and financial reporting processes, including accounting for significant and unusual transactions, the Company has hired additional internal legal and accounting support, as well as engaging third-party professionals to assist with technical matters; and
- To remediate the financial reporting issue over complex financial instruments, the Company will enhance our processes to identify and appropriately apply applicable accounting requirements for complex accounting standards, including providing enhanced access to accounting literature, research materials and increased communication among our personnel and third-party professionals with whom we consult regarding complex accounting applications.

While the remediation plan has been developed, and action has been taken on resolution of required activities within it, there are still a significant number of steps to be taken to enable management to complete the remediation. Accordingly, we concluded that the material weaknesses had not yet been remediated as of June 30, 2021. We expect to complete our remediation efforts by the end of 2021.

Changes in Internal Control over Financial Reporting

As discussed above, we are implementing certain measures to remediate the material weaknesses identified in the design and operation of our internal control over financial reporting. Other than those measures, there have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2021 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

From time to time in the ordinary course of business, the Company may be named as a defendant in legal proceedings related to various issues, including workers' compensation claims, tort claims, or contractual disputes. We are not currently involved in any material legal proceedings.

Item 1A. Risk Factors

A description of the risk factors associated with our business is contained in the "Risk Factors" section of our 2020 Amended Annual Report. There have been no material changes to our Risk Factors as therein previously reported.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of Hyliion Holdings Corp. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on October 7, 2020).
3.2	Amended and Restated Bylaws of Hyliion Holdings Corp. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on October 7, 2020).
10.1	Hyliion 2020 Equity Incentive Plan, Form of PSU Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 1, 2021).
10.2	Hyliion 2020 Equity Incentive Plan, Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 1, 2021).
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* 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 on this 10th day of August 2021.

HYLIION HOLDINGS CORP.

/s/ Thomas Healy

Name: Thomas Healy
Title: President and Chief Executive Officer
(Principal Executive Officer)

/s/ Sherri Baker

Name: Sherri Baker
Title: Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Thomas Healy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hyliion Holdings Corp. (the “registrant”);
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(s) 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)) 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. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];
 - 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(s) 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 10, 2021

By: /s/ Thomas Healy
 Thomas Healy
 President and Chief Executive Officer
 (Principal Executive Officer)

**CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Sherri Baker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hyliion Holdings Corp. (the “registrant”);
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(s) 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)) 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. [Paragraph intentionally omitted in accordance with SEC Release Nos. 34-47986 and 34-54942];
 - 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(s) 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 10, 2021

By: /s/ Sherri Baker
Sherri Baker
Chief Financial Officer
(Principal Financial Officer)

**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 Hyliion Holdings Corp. (the “Company”) on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission (the “Report”), I, Thomas Healy, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 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 10, 2021

By: /s/ Thomas Healy
Name: Thomas Healy
Title: President and Chief Executive Officer
(Principal Executive Officer)

**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 Hyliion Holdings Corp. (the “Company”) on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission (the “Report”), I, Sherri Baker, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 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 10, 2021

By:	<u>s/ Sherri Baker</u>
Name:	Sherri Baker
Title:	Chief Financial Officer (Principal Financial Officer)