

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 March 31, 2024

OR

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

For the transition period from _____ to _____

Commission File No. 001-38823

HYLIION HOLDINGS CORP.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

83-2538002

(State or Other Jurisdiction
of Incorporation)

(IRS Employer
Identification No.)

1202 BMC Drive, Suite 100,
Cedar Park, TX

78613

(Address of Principal Executive Offices)

(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 April 23, 2024, 174,035,799 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

HYLIION HOLDINGS CORP.
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2024
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2024 (Unaudited)	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 14,715	\$ 12,881
Accounts receivable	122	40
Prepaid expenses and other current assets	6,559	18,483
Short-term investments	126,703	150,297
Assets held for sale	5,973	—
Total current assets	154,072	181,701
Property and equipment, net	12,701	9,987
Operating lease right-of-use assets	6,992	7,070
Other assets	1,360	1,439
Long-term investments	122,529	128,186
Total assets	\$ 297,654	\$ 328,383
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 2,119	\$ 4,224
Current portion of operating lease liabilities	1,436	847
Accrued expenses and other current liabilities	6,948	10,051
Total current liabilities	10,503	15,122
Operating lease liabilities, net of current portion	6,207	6,792
Other liabilities	534	203
Total liabilities	17,244	22,117
Commitments and contingencies (Note 9)		
Stockholders' equity		
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 184,016,695 and 183,071,317 shares issued at March 31, 2024 and December 31, 2023, respectively; 175,304,238 and 183,034,255 shares outstanding as of March 31, 2024 and December 31, 2023, respectively	18	18
Additional paid-in capital	405,118	404,045
Treasury stock, at cost; 8,712,457 and 37,062 shares as of March 31, 2024 and December 31, 2023, respectively	(11,370)	(33)
Accumulated deficit	(113,356)	(97,764)
Total stockholders' equity	280,410	306,266
Total liabilities and stockholders' equity	\$ 297,654	\$ 328,383

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

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

	Three Months Ended March 31,	
	2024	2023
Revenues		
Product sales and other	\$ —	\$ 310
Total revenues	—	310
Cost of revenues		
Product sales and other	—	691
Total cost of revenues	—	691
Gross loss	—	(381)
Operating expenses		
Research and development	7,968	20,918
Selling, general and administrative	6,592	10,981
Exit and termination costs	4,431	—
Total operating expenses	18,991	31,899
Loss from operations	(18,991)	(32,280)
Interest income	3,396	3,462
Gain on disposal of assets	3	2
Other expense, net	—	(15)
Net loss	\$ (15,592)	\$ (28,831)
Net loss per share, basic and diluted	\$ (0.09)	\$ (0.16)
Weighted-average shares outstanding, basic and diluted	178,482,894	180,118,044

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

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

Three Months Ended March 31, 2024								
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	183,071,317	\$ 18	(37,062)	\$ (33)	\$ 404,045	\$ (97,764)	\$	306,266
Exercise of common stock options and vesting of restricted stock units, net	945,378	—	—	—	(247)	—		(247)
Share-based compensation	—	—	—	—	1,320	—		1,320
Repurchase of treasury stock	—	—	(8,675,395)	(11,337)	—	—		(11,337)
Net loss	—	—	—	—	—	(15,592)		(15,592)
Balance at March 31, 2024	<u>184,016,695</u>	<u>\$ 18</u>	<u>(8,712,457)</u>	<u>\$ (11,370)</u>	<u>\$ 405,118</u>	<u>\$ (113,356)</u>	<u>\$</u>	<u>280,410</u>
Three Months Ended March 31, 2023								
	Common Stock		Treasury Stock		Additional Paid-In Capital	(Accumulated Deficit) Retained Earnings	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	179,826,309	\$ 18	—	\$ —	\$ 397,810	\$ 25,746	\$	423,574
Exercise of common stock options and vesting of restricted stock units, net	869,263	—	—	—	(176)	—		(176)
Share-based compensation	—	—	—	—	2,040	—		2,040
Net loss	—	—	—	—	—	(28,831)		(28,831)
Balance at March 31, 2023	<u>180,695,572</u>	<u>\$ 18</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 399,674</u>	<u>\$ (3,085)</u>	<u>\$</u>	<u>396,607</u>

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

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

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (15,592)	\$ (28,831)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	572	524
Amortization and accretion of investments, net	(973)	(194)
Noncash lease expense	78	302
Inventory write-down	—	231
Gain on disposal of assets	(572)	(2)
Share-based compensation	1,320	2,040
Carrying value adjustment to assets held for sale	5,564	—
Changes in operating assets and liabilities:		
Accounts receivable	(82)	299
Inventory	—	(1,026)
Prepaid expenses and other assets	(7,382)	(5,313)
Accounts payable	(2,573)	215
Accrued expenses and other liabilities	(3,066)	(1,144)
Operating lease liabilities	4	(340)
Net cash used in operating activities	(22,702)	(33,239)
Cash flows from investing activities		
Purchase of property and equipment and other	(2,818)	(2,988)
Proceeds from sale of property and equipment	572	2
Purchase of investments	(23,707)	(31,394)
Proceeds from sale and maturity of investments	53,861	33,533
Net cash provided by (used in) investing activities	27,908	(847)
Cash flows from financing activities		
Proceeds from exercise of common stock options	48	19
Taxes paid related to net share settlement of equity awards	(295)	(195)
Repurchase of treasury stock	(11,043)	—
Net cash used in financing activities	(11,290)	(176)
Net decrease in cash and cash equivalents and restricted cash	(6,084)	(34,262)
Cash and cash equivalents and restricted cash, beginning of period	21,464	120,133
Cash and cash equivalents and restricted cash, end of period	\$ 15,380	\$ 85,871
Supplemental disclosure of noncash investing and financing activities:		
Repurchase of treasury stock included in accrued expenses	\$ 294	\$ —
Acquisitions of property and equipment included in accounts payable and other	\$ 468	\$ 255

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

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

Note 1. Overview

Hyllion Holdings Corp. is a Delaware corporation headquartered in Cedar Park, Texas, with research and development facilities near Cincinnati, Ohio, that designs and develops power generators for stationary and mobile applications. References to the “Company,” “Hyllion,” “we,” or “us” in this report refer to Hyllion Holdings Corp. and its wholly owned subsidiary, unless expressly indicated or the context otherwise requires.

Note 2. Disposals*Strategic Plan Wind Down*

On November 7, 2023, the Board of the Company approved a strategic plan to wind down its powertrain business and preserve the related intellectual property (the “Plan”). We have not accounted for the impacts of the Plan as a discontinued operation through March 31, 2024 as we have not abandoned or sold the underlying intellectual property. We historically provided limited assurance-type warranties under our powertrain contracts and plan to continue to service such warranties through their remaining term, with the majority ending in 2024.

Total charges and expenses related to the Plan of \$4.4 million, inclusive of charges to assets held for sale discussed below, were incurred in the Company’s first quarter of 2024 and are included in exit and termination costs in the condensed consolidated statements of operations. The change in total liabilities associated with the Plan is included within accrued expenses and other current liabilities as presented in Note 8, and accounts payable, and is summarized as follows (in millions):

	December 31, 2023	Charged to Expense	Costs Paid or Settled	March 31, 2024
Employee severance and retention	\$ 1.1	\$ —	\$ (0.4)	\$ 0.7
Contract terminations	6.5	(0.7)	(3.7)	2.1
Warranty obligations	0.4	(0.3)	—	0.1
	<u>\$ 8.0</u>	<u>\$ (1.0)</u>	<u>\$ (4.1)</u>	<u>\$ 2.9</u>

The above estimates of the cash expenditures and charges that the Company expects to incur in connection with the Plan, and the timing thereof, are subject to a number of assumptions and actual amounts may differ materially from estimates. In addition, the Company may incur other cash expenditures or charges not currently contemplated due to unanticipated events.

Assets Held for Sale

During the quarter ended March 31, 2024 certain assets of our powertrain business including Class 8 semi-trucks and capital equipment were being actively marketed for sale, and we were actively locating buyers, at a price that was reasonable in relation to their current fair value and the assets were available for immediate sale in their present condition. Further, we estimated that the sale of the disposal groups were expected to be completed within one year and it was unlikely that significant changes to the plan of sale would be made. We review assets held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to their estimated fair values less costs to sell.

We have recorded assets held for sale of \$6.0 million consisting of property and equipment in connection with the Plan at their fair value less costs to sell at March 31, 2024. We used fair value hierarchy Level III inputs including comparable assets, adjusted for condition, and recorded charges of \$5.6 million included in exit and termination costs in the condensed consolidated statements of operations. The estimates of fair value less costs to sell are subject to a number of assumptions and actual amounts may differ materially from estimates.

Note 3. Summary of Significant Accounting Policies*Basis of Presentation and Principles of Consolidation*

The accompanying condensed consolidated financial statements include the accounts of Hyllion Holdings Corp. and its wholly owned subsidiary. Intercompany transactions and balances have been eliminated upon consolidation. The condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”), which permit reduced disclosure for interim periods. The condensed consolidated balance sheet at December 31, 2023 was derived from audited financial statements for the fiscal year then ended, but does not include all necessary disclosures required with respect to annual financial statements. In the opinion of the Company, these 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 2023 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.

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 and has generated negative cash flows from operating activities since inception. At March 31, 2024, the Company had total equity of \$280.4 million, inclusive of cash and cash equivalents of \$14.7 million and total investments of \$249.2 million. Based on this, the Company has sufficient funds to continue to execute its business strategy for the next twelve months from the issuance date of the financial statements included in this Quarterly Report on Form 10-Q.

Use of Estimates

The preparation of financial statements in conformity with 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 disposals, income taxes and valuation of share-based compensation. 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.

Concentration of Supplier Risk

The Company is dependent on certain suppliers, many of which are single source suppliers, and the inability of these suppliers to deliver necessary components of the Company's products in a timely manner at prices, quality levels and volumes that are acceptable, or the Company's inability to efficiently manage these components from these suppliers, could have a material adverse effect on the Company's business, prospects, financial condition and operating results.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity date of 90 days or less at the time of purchase to be cash and cash equivalents only if in checking, savings or money market accounts. Cash and cash equivalents include cash held in banks and money market accounts and are carried at cost, which approximates fair value. The Company maintains cash in excess of federally insured limits at financial institutions which it believes are of high credit quality and has not incurred any losses related to these balances to date. The Company believes its credit risk, with respect to these financial institutions to be minimal.

Restricted Cash

The Company provided a supplier with a letter of credit for \$7.9 million in the fourth quarter of 2023 to secure the performance of the Company's obligations to purchase semi-trucks related to the Founders Program, backed by a restricted cash deposit to pay any draws on the letter of credit by the supplier. The Company was released from this letter of credit in the first quarter of 2024.

The Company has provided its corporate headquarters lessor with a letter of credit for \$0.7 million to secure the performance of the Company's lease obligations, backed by a restricted cash deposit to pay any draws on the letter of credit by the lessor. Total cash and cash equivalents and restricted cash as presented in the condensed consolidated statements of cash flows is summarized as follows:

	March 31, 2024	December 31, 2023	March 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 14,715	\$ 12,881	\$ 85,206	\$ 119,468
Restricted cash included in prepaid expenses and other current assets	—	7,918	—	—
Restricted cash included in other assets	665	665	665	665
	<u>\$ 15,380</u>	<u>\$ 21,464</u>	<u>\$ 85,871</u>	<u>\$ 120,133</u>

Accounts Receivable

Accounts receivable are stated at a gross invoice amount, net of an allowance for doubtful accounts. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential account losses on the balance based on the

Company's evaluation of the anticipated impact of current economic conditions, changes in the character and size of the balance, past and expected future loss experience and other pertinent factors. At March 31, 2024 and December 31, 2023, there were no accounts receivable due from customers or allowances for doubtful accounts.

Investments

The Company's investments consist of corporate bonds, U.S. treasury and agency securities, state and local municipal bonds and commercial paper, all of which are classified as held-to-maturity, with a maturity date of 36-months or less at the time of purchase. The Company determines the appropriate classification of investments at the time of purchase and re-evaluates such designation as of each balance sheet date. Investments are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization, along with interest, is included in interest income. The Company uses the specific identification method to determine the cost basis of securities sold.

Investments are impaired when a decline in fair value is judged to be other-than-temporary. The Company evaluates investments for impairment by considering the length of time and extent to which market value has been less than cost or amortized cost, the financial condition and near-term prospects of the issuer as well as specific events or circumstances that may influence the operations of the issuer and the Company's intent to sell the security or the likelihood that it will be required to sell the security before recovery of the entire amortized cost. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded to other income (expense) and a new cost basis in the investment is established.

Fair Value Measurements

ASC 820, *Fair Value Measurements*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level I: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Company can access at the measurement date;

Level II: Significant other observable inputs other than level I prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data; and

Level III: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company believes its valuation methods are appropriate and consistent with other market participants, however the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Company's financial instruments consist of cash and cash equivalents and restricted cash, accounts receivable, investments, accounts payable and accrued expenses. The carrying value of cash and cash equivalents and restricted cash, accounts receivable, accounts payable and accrued expenses approximate fair value because of the short-term nature of those instruments. The fair value of investments is based on quoted prices for identical or similar instruments in markets that are not active. As a result, investments are classified within Level II of the fair value hierarchy.

Inventories

Through March 31, 2024, we have not yet commercialized the KARNØ generator. Costs incurred for components acquired prior to our determination of reaching a commercial stage are expensed as research and development costs, resulting in zero cost basis for those components. As a result, moving-average prices for inventory that is capitalized in future periods may be

significantly affected by those zero cost items. During the three months ended March 31, 2024 and March 31, 2023, we recorded inventory write-downs of \$0.0 million and \$0.2 million, respectively.

Research and Development Expense

Research and development costs did not meet the requirements to be recognized as an asset as the associated future benefits were at best uncertain and there was no alternative future use at the time the costs were incurred. Research and development costs include, but are not limited to, outsourced engineering services, allocated facilities costs, depreciation on equipment utilized in research and development activities, internal engineering and development expenses, materials, internally developed software and employee related expenses (including salaries, benefits, travel, and share-based compensation) related to development of the Company's products and services.

Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740)*, to enhance transparency and decision usefulness of income tax disclosures. The pronouncement is effective for fiscal years beginning after December 15, 2024 and we expect a material impact to our disclosures as a result of adoption.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to improve the disclosures about a public entity's reportable segments. The pronouncement is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024 and we expect a material impact to our disclosures as a result of adoption.

Note 4. Investments

The amortized cost, unrealized gains and losses, fair value and maturities of our held-to-maturity investments at March 31, 2024 and December 31, 2023 are summarized as follows:

	Amortized Cost	Fair Value Measurements at March 31, 2024		
		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Commercial paper	\$ 31,067	\$ —	\$ (20)	\$ 31,047
U.S. government agency bonds	27,622	22	(151)	27,493
State and municipal bonds	12,303	—	(57)	12,246
Corporate bonds and notes	178,240	191	(494)	177,937
	<u>\$ 249,232</u>	<u>\$ 213</u>	<u>\$ (722)</u>	<u>\$ 248,723</u>

	Amortized Cost	Fair Value Measurements at December 31, 2023		
		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Commercial paper	\$ 35,218	\$ 18	\$ (10)	\$ 35,226
U.S. government agency bonds	27,602	56	(186)	27,472
State and municipal bonds	15,262	1	(48)	15,215
Corporate bonds and notes	200,401	515	(255)	200,661
	<u>\$ 278,483</u>	<u>\$ 590</u>	<u>\$ (499)</u>	<u>\$ 278,574</u>

	March 31, 2024		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 126,703	\$ 126,385	\$ 150,297	\$ 149,934
Due after one year through five years	122,529	122,338	128,186	128,640
	<u>\$ 249,232</u>	<u>\$ 248,723</u>	<u>\$ 278,483</u>	<u>\$ 278,574</u>

Note 5. Fair Value Measurements

The fair value measurements of our financial assets at March 31, 2024 and December 31, 2023 are summarized as follows:

Fair Value Measurements at March 31, 2024				
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 14,715	\$ —	\$ —	\$ 14,715
Restricted cash	665	—	—	665
Held-to-maturity investments:				
Commercial paper	—	31,047	—	31,047
U.S. government agency bonds	—	27,493	—	27,493
State and municipal bonds	—	12,246	—	12,246
Corporate bonds and notes	—	177,937	—	177,937
	<u>\$ 15,380</u>	<u>\$ 248,723</u>	<u>\$ —</u>	<u>\$ 264,103</u>

Fair Value Measurements at December 31, 2023				
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 12,881	\$ —	\$ —	\$ 12,881
Restricted cash	8,583	—	—	8,583
Held-to-maturity investments:				
Commercial paper	—	35,226	—	35,226
U.S. government agency bonds	—	27,472	—	27,472
State and municipal bonds	—	15,215	—	15,215
Corporate bonds and notes	—	200,661	—	200,661
	<u>\$ 21,464</u>	<u>\$ 278,574</u>	<u>\$ —</u>	<u>\$ 300,038</u>

Note 6. Property and Equipment, Net

Property and equipment, net at March 31, 2024 and December 31, 2023 is summarized as follows:

	March 31, 2024	December 31, 2023
Production machinery and equipment	\$ 14,032	\$ 10,376
Vehicles	1,040	2,013
Leasehold improvements	2,818	2,236
Office furniture and fixtures	223	223
Computers and related equipment	1,983	1,963
	<u>20,096</u>	<u>16,811</u>
Less: accumulated depreciation	<u>(7,395)</u>	<u>(6,824)</u>
Total property and equipment, net	<u>\$ 12,701</u>	<u>\$ 9,987</u>

Note 7. Share-Based Compensation

During the three months ended March 31, 2024 and 2023, the Company granted 5.9 million and 2.1 million, respectively, restricted stock units which will vest over a period of one to three years. During the three months ended March 31, 2024 and 2023, 0.9 million and 0.2 million, respectively, of restricted stock units and options were forfeited. Share-based compensation expense for the three months ended March 31, 2024 and 2023 was \$1.3 million and \$2.0 million, respectively.

Of the restricted stock units granted during the three months ended March 31, 2024, 2.7 million units may vest between February 13, 2025 and December 31, 2026 contingent upon achieving underlying closing stock price thresholds. These awards were valued at \$0.83 per unit using fair value hierarchy Level III inputs including an underlying share volatility of 90% and a risk-free rate of 4.35%.

Note 8. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities at March 31, 2024 and December 31, 2023 are summarized as follows:

	March 31, 2024	December 31, 2023
Accrued professional services and other	\$ 1,409	\$ 2,606
Accrued compensation and related benefits	2,407	1,510
Other accrued liabilities	1,237	1,922
Accrued severance, contract termination, and other charges	1,895	4,013
	<u>\$ 6,948</u>	<u>\$ 10,051</u>

Note 9. Commitments and Contingencies***Economic Incentive Agreement***

During the quarter ended March 31, 2024, in connection with our operations in Cedar Park, Texas, the Company entered into an agreement with the Cedar Park Economic Development Corporation (“EDC”) that superseded prior agreements, whereby the Company would receive cash grants up to \$1.1 million from the EDC at various measurement dates during the term of the agreement contingent upon the Company fulfilling and maintaining certain occupancy, investment, and employment requirements. The requirements must be met on or before specific measurement dates and maintained throughout the term of the agreement, which expires effective December 31, 2029.

The Company is further required to refund \$0.7 million and allowed to retain \$0.4 million, subject to performance of above requirements, of grant funding previously received which was been included within accrued expenses and other current liabilities and other liabilities, respectively, as of March 31, 2024. Under the agreement, the EDC has the right to file a security interest to all assets of the Company.

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. The Company 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.

Note 10. Net Loss Per Share

The computation of basic and diluted net loss per share for the three months ended March 31, 2024 and 2023 is summarized as follows (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net loss attributable to common stockholders	<u>\$ (15,592)</u>	<u>\$ (28,831)</u>
Denominator:		
Weighted average shares outstanding, basic and diluted	<u>178,482,894</u>	<u>180,118,044</u>
Net loss per share, basic and diluted	<u>\$ (0.09)</u>	<u>\$ (0.16)</u>

Potential common shares excluded from the computation of diluted net loss per share because including them would have had an anti-dilutive effect for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Three Months Ended March 31,	
	2024	2023
Unexercised stock options	293,410	2,444,263
Unvested restricted stock units*	6,763,910	4,563,859
	7,057,320	7,008,122

* Potential common shares from unvested restricted stock units for the periods ended March 31, 2024 and 2023 include no and 687,084 shares, respectively, where no accounting grant date had been established.

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

References to the "Company," "Hyllion," "we," or "us" in this report refer to Hyllion Holdings Corp. and its wholly-owned subsidiary Hyllion Inc., unless expressly indicated or the context otherwise requires. 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 2023 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical fact, contained in this Quarterly Report on Form 10-Q are forward-looking statements, including, but not limited to, statements regarding our strategy, prospects, plans, objectives, future operations, future revenue and earnings, projected margins and expenses, markets for our services, potential acquisitions or strategic alliances, financial position, and liquidity and anticipated cash needs and availability. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," variations of such words and similar expressions or the negatives thereof are intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These forward-looking statements represent our management's expectations as of the date of this filing and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We cannot guarantee the accuracy of the forward-looking statements, and you should be aware that results and events could differ materially and adversely from those contained in the forward-looking statements due to a number of risks and uncertainties including, but not limited to, those described in the section entitled "Risk Factors" included in our 2023 Annual Report on Form 10-K, this Quarterly Report on Form 10-Q, and in other documents we file from time to time with the U.S. Securities and Exchange Commission (the "Commission" or the "SEC") that disclose risks and uncertainties that may affect our business. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report on Form 10-Q and in other documents we file from time to time with the Commission. Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we do not undertake, and expressly disclaim any duty, to publicly update or revise these statements, whether as a result of new information, new developments, or otherwise and even if experience or future changes make it clear that any projected results expressed in this Quarterly Report on Form 10-Q or future quarterly reports, press releases or company statements will not be realized. Unless specifically indicated otherwise, the forward-looking statements in this Quarterly Report on Form 10-Q do not reflect the potential impact of any divestitures, mergers, acquisitions or other business combinations that have not been completed as of the date of this filing. In addition, the inclusion of any statement in this Quarterly Report on Form 10-Q does not constitute an admission by us that the events or circumstances described in such statement are material. We qualify all of our forward-looking statements by these cautionary statements. In addition, the industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors including those described in the section entitled "Risk Factors" included in our 2023 Annual Report on Form 10-K and in this Quarterly Report on Form 10-Q. These and other factors could cause our results to differ materially from those expressed in this Quarterly Report on Form 10-Q.

Overview

Hyllion is committed to creating innovative solutions that enable clean, flexible and modular electricity production while contributing positively to the environment in the energy economy. The KARNO generator is a fuel-agnostic power generation solution, enabled by additive manufacturing, that leverages a linear heat engine to generate electricity with significant improvements in efficiency, emissions and cost compared to conventional generators. The Company's primary focus is to provide distributed power generators that operate on various fuel sources to adapt to an ever-changing energy economy. Hyllion is addressing the commercial space first with a locally deployable generator that can offer prime power, backup power, peak demand reduction, renewables matching and power generation from waste fuels such as landfill and flare gas. In the future, the Company plans to scale up its generator solution to address larger utility-scale power needs and to develop variants for household use and mobile applications such as vehicles and marine vessels. Additionally, the generator technology is well-suited to provide combined heat and power ("CHP") in various stationary applications.

Market Opportunity

The U.S. electrical grid is facing a multitude of challenges as it strives to manage the escalating demand for electricity while adapting to evolving generating resources. The electrification of transportation, particularly the growing adoption of electric vehicles, is adding substantial load to the grid. Additionally, the integration of renewable energy sources such as solar and wind

power introduces variability and necessitates grid modernization and storage solutions for stability. Hyliion believes that localized grid generation will become an increasing part of the solution to these challenges.

Hyliion also believes that the KARNO generator is suitable for a wide range of electrical power generating applications and can address many concerns with conventional generators that inhibit consumers from adopting onsite generating systems today, including cost versus grid power, reliability, maintenance needs, noise, inflexibility and emissions. Additionally, the KARNO generator is expected to be able to operate using a wide range of fuel sources including carbon-free fuels such as hydrogen and ammonia.

The planned initial KARNO generator variant is both power dense and easy to deploy. It is expected to consist of a single four-shaft 200 kW generating unit along with essential balance-of-plant components, all arranged within a space-efficient, rectangular configuration occupying approximately three cubic meters. Later planned developments are expected to include a greater-than 2 MW system with multiple KARNO generators inside the footprint of a 20-foot shipping container. Over time, we expect larger and smaller capacity versions of the KARNO generator will be offered with power levels varying based on the number of generator shafts included or the size of component parts. We expect the KARNO generator to initially compete effectively in the market for power applications between 200 kW to 5 MW and later extend to larger and smaller power configurations.

We are currently working with potential customers for initial generator deployments. These deployments will test and validate KARNO generator product attributes including efficiency, emissions, maintenance requirements, durability, control systems and other parameters. We expect to receive compensation for these initial deployments as we believe the generator will provide tangible benefits to customers. We also expect that early deployments will demonstrate the effectiveness of the KARNO generator in a wide range of electrical generating applications. Target markets include:

- *Prime Power:* Most consumers prefer the grid versus generating power locally due to the grid's inherent advantages of simplicity, convenience, scalability and cost effectiveness. For critical applications such as hospitals, data centers and refrigerated warehouses, local generators are indispensable in case of a grid power failure. The KARNO generator introduces the opportunity for certain power consumers to rethink their primary and secondary power sources. Due to its unique attributes in comparison to conventional generators, including consistently high efficiency across power levels, minimal maintenance requirements, and reduced level of noise and emissions, the KARNO generator stands as a potentially more cost-effective base load power source for consumers, who could then utilize the electric grid as a backup source of power. This arrangement holds particular appeal for consumers facing high grid electrical costs and low fuel costs, such as for natural gas.
- *Vehicle Charging:* The rapid growth of consumer electric vehicles is increasingly straining grid capacity and reliability, both domestically and internationally. The introduction of commercial EVs, such as buses, delivery vans and large trucks is expected to intensify this challenge in the future given their substantial power requirements during charging. Many commercial operators cite the lack of electrical capacity access as the primary obstacle to expanding their electric vehicle fleets. Here, we believe the KARNO generator offers a unique solution for vehicle charging. Its flexibility in fuel sources, including the ability to use hydrogen, along with its superior environmental performance and low emissions and noise levels offer advantages over internal combustion generators. A KARNO generator can also modulate power without efficiency loss by activating or deactivating individual generators and by regulating the heat input to each generator. Finally, KARNO's high power density allows it to be deployed as a localized power source for vehicle charging without displacing a large amount of parking space.
- *Waste Gas Power Generation:* Natural gas sourced from waste sites like landfills, water treatment plants and dairy farms is a growing market as producers seek to capture sources of methane emissions that would otherwise be released into the atmosphere or flared. Also known as renewable natural gas ("RNG"), most sources are typically treated to remove impurities such as carbon dioxide, hydrogen sulfide and moisture before the gas can be utilized or injected into natural gas pipelines. We believe the KARNO generator will compete effectively as a power generator using waste gas sources. Its modularity, coupled with its capability to oxidize a variety of fuel sources and mixtures with no or limited prior gas processing, positions it as an efficient and adaptable power generator for waste gas sources.
- *Flare Gas:* Similarly, natural gas extracted from gas or oil wells frequently requires processing to remove natural gas liquids and impurities. At remote well sites, gas may be flared, or burned, due to insufficient pipeline capacity for transmission to consuming markets. The KARNO generator creates a new opportunity – to transform flare gas into valuable electricity, destined either for integration into the electric grid or for localized consumption. As with RNG, the KARNO generator is anticipated to use flare gas with limited need for pre-treatment at a gas processing facility.
- *Peak Shaving:* "Peaking charges" also referred to as "demand charges" are fees imposed by utilities on customers based on their highest recorded electricity usage during a billing cycle, often measured over a short interval, such as 15 minutes. These charges serve to recuperate the expenses associated with maintaining grid capacity during periods of peak demand. For customers with substantial peak demand, such as large industrial facilities and data centers, peaking

charges can significantly inflate their electric bills. Additionally, time-based electricity rates are now common to reduce demand on the grid during peak times. Peak rates can be two to three times higher than base rates, increasing electricity charges even further for consumers. In this context, distributed generation sources like the KARNO generator can play a pivotal role in mitigating the financial impact of peaking charges and rates by supplementing grid power during peak consumption periods.

- *Backup Power:* The market for local backup power generators is well established but also poised for growth due to reduced reliability of the power grid, a greater share of intermittent renewable sources of electricity, the frequency and severity of extreme weather events and the need for continuous power supply in critical applications. Generator emissions are a growing concern in the backup power market due to increased focus on the health impacts of harmful compounds such as nitrogen oxides (“NOx”), carbon monoxide and volatile organic compounds (“VOCs”). To address these concerns, emissions control technologies are often incorporated for conventional generators and alternative sources of fuel like natural gas are replacing diesel, which is also a source of particulate matter (“PM”) emissions if exhaust gases are untreated. The backup power market is another opportunity for the KARNO generator which is particularly attractive for its low level of emissions and low noise level while in operation. The KARNO generator is expected to reduce CO and NOx emissions by over 95% compared to diesel generators, and potentially without the need for exhaust aftertreatment. We therefore believe that KARNO presents an opportunity to provide solutions for end users that desire a lower emissions profile and in the event emissions regulations are further tightened.
- *Mobility:* We also plan to develop variants for mobile applications such as vehicles including rail (locomotives) and marine vessels. Longer-term, we also believe KARNO can be a viable solution for on-highway applications.

Following initial deployments, we expect to ramp up commercialization of the KARNO generator including expansion of production capacity and establishment of sales and distribution channels, potentially including market collaborations and extending our reach outside of the U.S. In the future we intend to develop KARNO generators of different sizes and configurations to capitalize on KARNO’s unique advantages and extend these advantages across a broader range of market opportunities.

KARNO Generator System

The KARNO generator emerged out of GE’s long-running research and development investments in aerospace and metal additive manufacturing across multiple industries and in areas such as generator thermal and performance design. We initially envisioned utilizing the KARNO generator as new range-extending power source for the Hypertruck powertrain system, given its ability to operate on a wide range of fuel sources, including natural gas and hydrogen. We believe that the unique capabilities of the KARNO generator will also make it competitive in the stationary power market, competing favorably against conventional electrical generating systems and opening up potential new markets to enhance grid power availability and reliability. The KARNO generator technology, including the technology that was acquired from GE and the technology developed by Hyliion subsequent to the acquisition, is protected by numerous patents and trademarks which we believe provide Hyliion extensive and lasting protection for its intellectual property.

KARNO Generator Development

Our ongoing efforts with the KARNO generator encompass activities such as its design, development and rigorous testing, along with the development of essential balance-of-plant systems including cooling and controls systems. Notably, we have reached a significant milestone by constructing the 125 kW ALPHA generator which we are currently testing in our development facility. Simultaneously, we are in the final stages of designing a 200 kW BETA generator, which is expected to serve as our design for initial commercial deployments. We have also showcased KARNO integrated as an on-board generator for our Hypertruck ERX powertrain system and with potential stationary power customers. Moreover, we successfully demonstrated the generator’s capability to feed power back to the electric grid from our Cincinnati, Ohio facility and confirmed through testing the capability of the generator’s oxidation system to be fueled using untreated natural gas from a Permian Basin well site.

As we progress toward our anticipated initial stationary generator deployments, scheduled for late 2024, pivotal development activities are underway, including enhancements to the linear generator system and its controls, rigorous validation of essential operating parameters, including efficiency, emissions and reliability, and build-out of balance-of-plant systems and controls. These initial generator deployments, coupled with our ongoing testing and development endeavors, will play a vital role in the validation of other critical design specifications, including the generator’s projected operating life, maintenance requirements and durability.

We expect to achieve efficiencies over time, leading to a reduction in the manufacturing and assembly costs associated with the KARNO generator. These efficiencies will predominantly stem from advancements in the speed and capacity of additive manufacturing machines offered by GE and other vendors. The pace of advancements in additive technology are expected to improve over time, with the output of machines we intend to acquire over the next three to four years projected to increase

compared to machines available today. Additionally, we are actively pursuing design modifications that will enable specific components to be produced through conventional manufacturing processes. Moreover, for less critical components, we are exploring utilization of lower-cost and lightweight materials like aluminum. Lastly, we anticipate that economies of scale will play a pivotal role in reducing system component costs as manufacturing output scales up progressively.

The Science of KARNO

The KARNO generator is distinguished from conventional generating systems that rely on reciprocating internal combustion engines or gas turbines to drive a rotating shaft. In contrast, the KARNO generator harnesses the power of a heat engine to propel a linear generating system. This innovative generator derives its linear motion from temperature differences inside the engine. The generation of heat within the system occurs through flameless oxidation of fuels, like natural gas, hydrogen, or propane. This thermal energy causes helium gas enclosed within a sealed cylinder to expand, thereby propelling linear motion in a connected piston-shaft system which includes a sequence of permanent magnets situated on the shaft passing through electrical coils. Subsequently, the counter-motion generated by a piston at the opposite end of the shaft flows the helium gas to the cold side of a piston in an adjacent shaft, where excess heat is efficiently dissipated. This cyclical process continues, resulting in a continuous source of electrical power for so long as heat is supplied to the generator.

Linear generators present several advantages over conventional generators, with key benefits including reduced maintenance, attributable to their simplified design with few moving parts. Additionally, they exhibit high power density and higher efficiency by circumventing the mechanical losses linked to rotating components such as bearings and gears while producing less noise and vibration. In the case of KARNO, each shaft of the generator relies on a single moving part and utilizes a pressurized helium bearing system in place of oil-based lubricants.

Heat engines offer the advantages of fuel flexibility and high operating efficiency. We believe the KARNO generator stands out for its ability to maximize heat transfer between components and working fluids. Enabled by advances in additive manufacturing systems, parts are designed with a large number of intricate flow channels for the movement of heat, cooling water, helium and exhaust gases such that contact surface areas for heat transfer are maximized. This enables the KARNO generator to achieve high levels of efficiency.

The KARNO generator is expected to surpass the efficiency of conventional generating systems when employing various fuel sources and even outperform fuel cells when using hydrogen. Notably, its high efficiency remains consistent across a broad range of output power levels. In contrast, fuel cells reach peak efficiency at low power levels but experience diminishing efficiency as output increase towards full power. Internal combustion engines typically achieve peak efficiency within a limited operational output range and may suffer increased wear at low power levels. The KARNO generator offers a distinct advantage in power adjustment by modulating the rate of heat introduction, enabling seamless power adjustments without compromising the generator's efficiency.

We anticipate that the KARNO generator will achieve an electrical generating efficiency of nearly 50%, calculated by considering the usable output power in relation to the energy from the fuel source. High efficiency is expected to remain consistent across a wide range of output power levels, spanning from tens of kilowatts to multiple megawatts. In contrast, internal combustion diesel generators typically operate within an efficiency range of 25% to 40% over a similar power spectrum, while the U.S. electrical power grid is estimated to operate at an efficiency between 33% and 40%. Notably, best-in-class grid-level gas turbine powerplants can obtain efficiencies ranging between 45% to 55%. However, they incur transmission and distribution losses between 5% and 10% which the KARNO generator can circumvent by being strategically located near the point of power consumption.

Conventional generators emit pollutants as a result of incomplete combustion of fuel-air mixtures, with the formation of NOx compounds being particularly prominent. Unlike conventional generators, which often employ internal combustion engines operating at high temperatures with rapid and incomplete fuel combustion, the KARNO generator is designed for continuous fuel oxidation at lower temperatures than internal combustion engines and extended burn times. This is achieved partly through the recirculation of exhaust gases, which serves to prolong combustion duration and by pre-heating incoming air. As a result, the KARNO generator is anticipated to achieve low levels of emissions, with CO and NOx emissions expected to be reduced by over 95% compared to best-in-class diesel engines and targeting CARB 2027 standards without the need for aftertreatment.

One of the notable advantages of the KARNO generator, in comparison to traditional generating units, is the expected significant reduction in maintenance requirements and cost. Conventional generators typically incur periodic and usage-based maintenance expense that can range between 5% to 20% of their total operating cost throughout their lifespan, influenced by factors such as utilization and operating parameters. KARNO's primary advantage arises from having only a single moving linear actuator per shaft (4 shafts per 200 kW generator), which glides linearly on low friction helium bearings. This innovative design significantly mitigates efficiency losses attributed to friction, enhances the system's operational longevity and eliminates the need for oil-based lubricants commonly found in conventional generators. Furthermore, internal combustion engines require extensive overhauls after specific operating periods which are costly, require specialized expertise, and result in prolonged

downtime. Conversely, the KARNO generator is projected to require less costly and simplified maintenance service than internal combustion engines, translating into both cost savings and reduced downtime.

The KARNO generator, functioning as a heat engine, derives advantages from its expected capability to operate across a diverse spectrum of over 20 available fuel sources and fuel mixtures. These include natural gas, propane, gasoline, jet fuel, and alternative fuels like bio-diesel, hydrogen and ammonia. Moreover, the generator can seamlessly transition between these fuels or fuel blends, requiring few or no physical modifications to its flameless oxidation system. This versatility enables a single generator to adapt to different use cases. For example, the generator may operate on natural gas for prime power generation when a pipeline connection is available and on waste gas near a landfill or dairy. Furthermore, as hydrogen becomes more widely available, the KARNO generator will be able to adapt to this cleaner fuel. As the energy landscape evolves, the KARNO generator's fuel-agnostic nature positions it as a solution to electricity generation needs.

Benefits of the KARNO Generator Versus Conventional Competitors

We believe the versatility and operating characteristics of the KARNO generator make it an effective system for a variety of conventional and emerging electrical generating applications. Key attributes of the KARNO generator distinguish it from its conventional generator counterparts, which may open new market opportunities:

- *Generator Efficiency:* The anticipated operating efficiency of the KARNO generator results in lower cost of electricity versus conventional generating systems and, in many markets, grid power.
- *Low Maintenance:* With only a single moving part per shaft, the simplicity of the KARNO generator is expected to reduce both periodic maintenance expenses and expected overhaul costs.
- *Fuel Agnostic:* While many traditional generators operate on a single fuel source or require system modification to achieve fuel flexibility, the KARNO generator is truly fuel-agnostic, and can switch between fuel choices during operation with few or no modifications.
- *Low Noise and Vibration:* Unlike conventional generators, the KARNO generator operates without internal combustion, resulting in a significantly lower noise level of approximately 67 decibels at six feet, which is approximately equivalent to a typical conversation.
- *Higher Power Density:* The unique architecture and features of the KARNO generator that are enabled by advances in additive manufacturing, enable the generator to achieve a high level of power density. For example, a 200 kW generator occupies less than a cubic meter of volume, excluding the balance-of-plant.
- *Modularity:* The power output of a KARNO generator can be modulated by changing the level of heat applied to the system. For larger power applications above 200 kW, systems with six or more shafts can be utilized or, multiple KARNO generators can be assembled to operate as a single unit. For megawatt applications, individual generators can be turned on or off to adjust the total power output of the system.
- *Fast Startup Time:* It is anticipated that the KARNO generator will be able to begin generating electricity from a cold start in approximately 30 to 60 seconds. Additionally, full power can be achieved in a matter of minutes. Conversely, some generating systems, such as solid oxide fuel cells, require a warm-up period of up to 30 minutes.

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 economic uncertainties, supply chain disruptions, inflation and high interest rates as well as those discussed below and referenced in Item 1A "Risk Factors".

Commercialization of KARNO Generator

Our focus in the first quarter of 2024 was on continuing development and testing of our fuel-agnostic KARNO stationary generator and planning for the deployment of initial revenue-generating units with customers in 2024. We anticipate that a substantial portion of our capital resources and efforts in the near future will be focused these activities. The amount and timing of our future funding requirements, if any, will depend on many factors, including but not limited to the pace of completing initial KARNO generator design, testing and validation, the pace at which we introduce initial generator units to the market, our strategies for manufacturing KARNO generator components (whether in-house or through outsourcing to third parties), the range of product offerings we plan to bring to market and external market factors beyond our control.

Key Components of Statements of Operations

Revenue

We historically generated revenues from sales of Hybrid systems for Class 8 semi-trucks and limited quantities of Class 8 semi-trucks outfitted with the Hybrid system. As a result of the discontinuation of the electrified powertrain systems business and the shift to focus exclusively on the development and commercialization of the Company's fuel-agnostic KARNØ generator technology, we do not anticipate generating future revenues until we begin commercialization of our KARNØ generators.

Cost of Revenue

Cost of revenue includes all direct costs such as labor and materials, overhead costs, warranty costs and any write-down of inventory to net realizable value.

Research and Development Expense

Research and development expenses consist primarily of costs incurred for the discovery and development of our KARNØ stationary generator and, prior to 2024, 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 contractors for outsourced engineering services and to consultants;
- expenses related to components for development and testing, materials, supplies and other third-party services;
- depreciation for equipment used in research and development activities; and
- allocation of general overhead costs.

We expect to 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. Factors that also affect selling, general and administrative expense include the total number of employees, costs incurred as a result of operating as a public company, including compliance with the rules and regulations of the U.S. Securities and Exchange Commission, legal, audit, insurance, investor relations activities and other administrative and professional services.

Exit and Termination Costs

Exit and termination costs consist of employee severance and retention payments, accelerated non-cash stock-based compensation expense, contract termination and other cancellation costs, non-cash charges including accelerated depreciation and amortization, and recoveries from resale of assets. These costs are a result of the Plan approved on November 7, 2023 to wind down our powertrain business.

Other Income (Expense)

Other income currently consists primarily of interest income earned on our investments. Since the acquisition of our KARNØ generator technology, we have continued to perform as a subcontractor on a contract with the Office of Naval Research ("ONR"). We may reassess the classification of such contracts as revenue based on business strategy.

Results of Operations

Comparison of Three Months Ended March 31, 2024 to Three Months Ended March 31, 2023

Our results of operations for the three months ended March 31, 2024 (the “current quarter”) and 2023 on a consolidated basis are summarized as follows (in thousands, except share and per share data):

	Three Months Ended March 31,			
	2024	2023	\$ Change	% Change
Revenues				
Product sales and other	\$ —	\$ 310	\$ (310)	(100.0)%
Total revenues	—	310	(310)	(100.0)%
Cost of revenues				
Product sales and other	—	691	(691)	(100.0)%
Total cost of revenues	—	691	(691)	(100.0)%
Gross loss	—	(381)	381	(100.0)%
Operating expenses				
Research and development	7,968	20,918	(12,950)	(61.9)%
Selling, general and administrative expenses	6,592	10,981	(4,389)	(40.0)%
Exit and termination costs	4,431	—	4,431	N/A
Total operating expenses	18,991	31,899	(12,908)	(40.5)%
Loss from operations	(18,991)	(32,280)	13,289	(41.2)%
Interest income	3,396	3,462	(66)	(1.9)%
Gain on disposal of assets	3	2	1	50.0 %
Other expense, net	—	(15)	15	(100.0)%
Net loss	<u>\$ (15,592)</u>	<u>\$ (28,831)</u>	<u>\$ 13,239</u>	<u>(45.9)%</u>
Net loss per share, basic and diluted	<u>\$ (0.09)</u>	<u>\$ (0.16)</u>	<u>\$ 0.07</u>	<u>(43.8)%</u>
Weighted-average shares outstanding, basic and diluted	<u>178,482,894</u>	<u>180,118,044</u>	<u>(1,635)</u>	<u>(0.9)%</u>

Revenue and Cost of Revenues

Revenue associated with our Hybrid products decreased \$0.3 million and associated cost of revenues decreased \$0.7 million. As a result of our strategic review and decision to wind down our powertrain business, we do not anticipate further revenue or cost of revenues until we begin commercialization of our KARNO generator.

Research and Development

Research and development expenses decreased \$13.0 million due to:

- A decrease of \$17.5 million for the design and testing of our Hypertruck ERX system; offset by
- An increase of \$4.5 million for the design and testing of our KARNO stationary generator.

Selling, General and Administrative

Selling, general, and administrative expenses decreased \$4.4 million primarily due to:

- A decrease of \$3.1 million in personnel and benefits and \$1.1 million in professional services as a result of the wind down of our powertrain business.

Exit and Termination Costs

Exit and termination costs increased by \$4.4 million as a result of the adoption of the Plan and items discussed in Note 2 of the notes to the consolidated financial statements.

Liquidity and Capital Resources

At March 31, 2024, our current assets were \$154.1 million, consisting primarily of cash and cash equivalents of \$14.7 million, short-term investments of \$126.7 million and prepaid expenses of \$6.6 million. Our current liabilities were \$10.5 million primarily comprised of accounts payable, accrued expenses and operating lease liabilities. We also had \$122.5 million of investments in longer-term liquid securities which we maintain to generate higher income on capital that we do not expect to spend in the next 12 months.

We believe the credit quality and liquidity of our investment portfolio at March 31, 2024 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 rate environment and supply and 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 of 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 any realized losses that we would recognize prior to maturity. 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 and long-term assets will be sufficient to continue and execute on our business strategy and meet our capital requirements for the next twelve months. We do not expect to need to raise additional equity capital for the foreseeable future. Our primary short-term cash needs are costs associated with KARNO generator development and building of our initial deployment units. Longer term, our capital needs will be determined by our go-to-market strategy, which may include development of our own KARNO generator manufacturing capacity or outsourcing this work to third parties or business partners. In December 2023, we announced an authorized share repurchase program to repurchase up to \$20 million of our outstanding common stock. We repurchased \$11.3 million in common stock during the three months ended March 31, 2024 and \$11.4 million since the inception of the repurchase program. Based on current projections of operating expenses, capital spending, working capital growth and share repurchases, we expect to have between \$220 and \$230 million in cash, short-term and long-term investments remaining on our balance sheet at the end of 2024.

We expect to continue to incur net losses in the short term, as we continue to execute on our strategic initiatives by completing the development and commercialization of the KARNO generator with anticipated initial customer deployments in late 2024. However, actual results could vary materially and adversely as a result of a number of factors including, but not limited to, those discussed in Part II, Item 1A. "Risk Factors."

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, the breadth of product offerings we plan to commercialize, the pace of sales, and our long-term plan manufacturing plan for the KARNO generator including plans for financing additive printer investments, as well as factors that are outside of our control.

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.

Cash Flows

Net cash, cash equivalents and restricted cash provided by or used in operating activities, investing activities and financing activities for the three months ended March 31, 2024 and 2023 is summarized as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cash from operating activities	\$ (22,702)	\$ (33,239)
Cash from investing activities	27,908	(847)
Cash from financing activities	(11,290)	(176)
	<u>\$ (6,084)</u>	<u>\$ (34,262)</u>

Cash from Operating Activities

For the three months ended March 31, 2024, cash flows used in operating activities were \$22.7 million. Cash used primarily related to a net loss of \$15.6 million, adjusted for a \$13.1 million change in working capital accounts and \$6.0 million in non-cash expenses (including \$5.6 million related to accounts payable, accrued expenses and other liabilities and \$7.4 million related to prepaid expenses and other current assets, partially offset by \$5.6 million in assets held for sale carrying value adjustments and \$1.3 million related to share-based compensation).

For the three months ended March 31, 2023, cash flows used in operating activities were \$33.2 million. Cash used primarily related to a net loss of \$28.8 million, adjusted for a \$7.3 million change in working capital accounts and \$2.9 million in non-cash expenses (including \$5.3 million related to prepaid expenses and other assets and \$0.9 million related to accounts payable, accrued expenses and other liabilities, partially offset by \$2.0 million related to share-based compensation and \$0.6 million related to depreciation, amortization and accretion charges).

Cash from Investing Activities

For the three months ended March 31, 2024, cash flows provided by investing activities were \$27.9 million. Cash provided related to the sale or maturity of investments of \$53.9 million, partially offset by the purchase of investments of \$23.7 million and acquired property and equipment of \$2.8 million.

For the three months ended March 31, 2023, cash flows used in investing activities were \$0.8 million. Cash used related to the purchase of investments of \$31.4 million and acquired property and equipment of \$3.0 million, offset by the sale or maturity of investments of \$33.5 million.

Cash from Financing Activities

For the three months ended March 31, 2024, cash flows used in financing activities were \$11.3 million, primarily due to treasury stock repurchases.

For the three months ended March 31, 2023, cash flows used in financing activities were \$0.2 million, primarily due to payment of taxes related to net share settlement of equity awards of \$0.2 million.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we applied the same critical accounting policies as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, supplemented by those described below, that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenues and expenses.

Share-Based Compensation

We account for share-based payments that involve the issuance of shares of our common stock to employees and nonemployees and meet the criteria for share-based awards as share-based compensation expense based on the grant-date fair value of the award. The Company has elected to recognize the adjustment to share-based compensation expense in the period in which forfeitures occur. We recognize compensation expense for awards with only service conditions on a straight-line basis over the requisite service period for the entire award.

In the first quarter of 2024, we granted 2.7 million market-conditioned restricted stock units that may vest between February 13, 2025 and December 31, 2026 contingent upon achieving underlying closing stock price thresholds. These awards were valued at \$0.83 per unit using fair value hierarchy Level III inputs including an underlying share volatility of 90% and a risk-free rate of 4.35%.

If we were to utilize different assumptions including the estimate of underlying share volatility of our market-conditioned awards, share-based compensation cost could be under or overstated. If there are any modifications or cancellations of the

underlying unvested securities, we may be required to accelerate any remaining unearned share-based compensation cost or incur incremental cost. Share-based compensation cost affects our research and development and selling, general and administrative expenses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined in Rule 12b-2 under the Exchange Act. As a result, pursuant to Item 305(e) of Regulation S-K, we are not required to provide the information 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, at March 31, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us 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 to provide reasonable assurance that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

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 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

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 2023 Annual Report. There have been no material changes to our Risk Factors as therein previously reported.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES**Issuer Purchases of Equity Securities**

The following table provides information regarding repurchases of our Common Stock during the quarter ended March 31, 2024:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽¹⁾	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs⁽²⁾
January 1 - 31, 2024	3,374,935	\$ 0.99	3,411,997	\$ 16,615,060
February 1 - 29, 2024	3,664,346	\$ 1.38	7,076,343	\$ 11,568,463
March 1 - 31, 2024	1,636,114	\$ 1.66	8,712,457	\$ 8,858,443
Total	8,675,395		8,712,457	

¹ Share repurchases are conducted under our share repurchase program announced in December 2023, which has no expiration date, authorizing the repurchase of up to \$20 million in shares.

² This column includes the total value of shares available for repurchase under the Company's share repurchase program at the end of the indicated period. Shares under our share repurchase program may be repurchased in open market transactions, including pursuant to a trading plan adopted in accordance with Rule 10b5-1 of the Securities Exchange Act of 1934, or through privately negotiated transactions. The timing, manner, price and amount of repurchases will be determined at our discretion and the share repurchase program may be suspended, terminated or modified at any time for any reason.

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 the Company, dated October 1, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38823) filed with the SEC on October 7, 2020).
3.2	Amended and Restated Bylaws of the Company, dated October 1, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-38823) filed with the SEC on October 7, 2020).
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.
10.1*†	Hyllion 2020 Equity Incentive Plan, Form of Amendment of PSU Award Agreement.
10.2*†	Hyllion 2020 Equity Incentive Plan, Form of PRSU Award Agreement.
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
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibits 101)

* Filed herewith.

** Furnished herewith.

† Indicates a management contract or compensatory plan or arrangement, as required by Item 15(a)(3).

SIGNATURES

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

Date: April 30, 2024

HYLIION HOLDINGS CORP.

/s/ Thomas Healy

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

/s/ Jon Panzer

Name: Jon Panzer
Title: Chief Financial Officer
(Principal Financial Officer)

February 13, 2024

Re: Amendment of PSU Award Agreement

Dear [Employee]:

1. In consideration of your continuing role with Hyliion Holdings Corp. (the “Company”) and continued eligibility for the receipt of additional performance-based restricted stock units in the future, the undersigned (“Grantee”) and the Company are entering into this letter agreement (this “Agreement”) pursuant to which the Grantee and the Company hereby mutually agree to amend the [Date] Award Agreement for the PSU Award granted to you under the Company’s 2020 Equity Incentive Plan, as amended (the “Plan”), as set forth in that certain Performance RSU Award Grant Notice (the “Grant Notice”) and corresponding Award Agreement (together, the “Award Agreement”).

2. Amendment. The Grantee and the Company mutually agree that the Award Agreement is amended to eliminate the January 1, 2024-December 31, 2024 Performance Period as follows:

- (a) the “Performance Periods” paragraph of the Grant Notice is amended by the deletion of “and January 1, 2024-December 31, 2024;”
- (b) the “Total Number of Target PSUs for all Performance Periods” paragraph of the Grant Notice is amended by substituting [# of shares] for [# of shares]; and
- (c) the “Vesting” portion of the Grant Notice is amended by the deletion of subparagraph (iv) thereof in its entirety.

3. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Company and the Grantee and their respective heirs, executors, administrators, legal representatives, successors and assigns.

4. Entire Agreement. This Agreement constitutes the full and entire understanding and agreement between the Grantee and the Company with respect to the amendment of the Award Agreement; and, except as amended by this Agreement, the Award Agreement remains in effect in accordance with its terms.

5. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

6. Section Headings. The section headings of this Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

7. Counterparts; Electronic Signature. This Agreement may be signed and/or transmitted in one or more counterparts by facsimile, e-mail of a .PDF, .TIF, .GIF, .JPG or similar attachment or using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties hereto and delivered to the other party, it being understood that both parties need not sign the same counterpart, and that any such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's hand-written signature. To the extent a party signs this Agreement using electronic signature technology, by clicking "sign," "accept," or similar acknowledgement of acceptance, such party is signing this Agreement electronically, and electronic signatures appearing on this Agreement (or entered as to this Agreement using electronic signature technology) shall be treated, for purposes of validity, enforceability and admissibility, the same as hand-written signatures.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date first set forth above but on the actual dates below.

HYLIION HOLDINGS CORP.

By:

Name:

Title:

Date:

GRANTEE

/s/

Printed Name:

Date:

Hyllion Holdings Corp.
Performance RSU Award Grant Notice
(2020 Equity Incentive Plan)

In consideration of your services to Hyllion Holdings Corp. (the “**Company**”), you (the “**Participant**”) are hereby awarded a number of performance-based restricted stock units (the “**PSUs**”) set forth below, subject to the terms, conditions, and restrictions set forth herein, in the Company’s 2020 Equity Incentive Plan (the “**Plan**”) and in the Terms and Conditions (Performance RSUs) attached hereto (the “**Terms and Conditions**”), all of which terms, conditions and restrictions are incorporated herein in their entirety. Capitalized terms not explicitly defined herein shall have the meanings provided for them in the Plan or the Terms and Conditions.

Participant: __

Date of Grant: __

Number of PSUs Granted (the “**Target PSUs**”): __

Performance Period: January 1, 2024 to December 31, 2026

Performance Criteria: The Performance Criteria relating to the Target PSUs are set forth in **Exhibit A** to the Agreement.

Vesting: The Target PSUs shall vest as follows:

1. Upon confirmation by the Compensation Committee that Performance Criteria entitling the Participant to earn all or a portion of the Target PSUs have been satisfied, the number of Target PSUs attributable to the achievement of such Performance Criteria shall vest on the one year anniversary of the date that such Performance Criteria was achieved (each such one year anniversary, an “**Interim Vesting Date**”), *provided that* no more than 50% of the Target PSUs may vest prior to December 31, 2026 even if Performance Criteria entitling the Participant to receive more than 50% of the Target PSUs have been achieved prior to such date; and
2. Upon confirmation by the Compensation Committee as promptly as is reasonably possible after December 31, 2026 that Performance Criteria entitling the Participant to earn all or a portion of the Target PSUs have been satisfied, all Target PSUs that have been earned due to the achievement of the Performance Criteria but which have not previously vested on any Interim Vesting Dates (including Target PSUs for which the Performance Criteria have already been achieved but for which the Interim Vesting Date would not occur prior to December 31, 2026) shall vest immediately upon the Compensation Committee’s confirmation (the date for vesting set forth in this paragraph and any Interim Vesting Date, each, a “**Vesting Date**”);

provided, that in no event shall the Participant vest in any Target PSUs in excess of the total number of Target PSUs that have actually been earned through satisfaction of the Performance Criteria as of a Vesting Date. The amount of Target PSUs that shall vest as of each Vesting Date shall be referred to herein as the “**Vested PSUs**”.

Settlement Date for Vested PSUs: As soon as practicable following each Vesting Date, but in no event later than March 15th of the calendar year following the calendar year in which each such Vesting Date occurs (the “**Settlement Date**”), and provided that Participant has remained in Continuous Service with the Company to and including the Vesting Date the Company shall deliver to the Participant one share of Common Stock for each Vested PSU.

Participant Acknowledgements: By your signature below or by electronic acceptance or authentication in a form authorized by the Company, you understand and agree that:

- The PSU Award is governed by this Performance RSU Award Grant Notice (the “**Grant Notice**”), the Terms and Conditions, and the provisions of the Plan, all of which are made a part of this document. Unless otherwise provided in the Plan, this Grant Notice and the Terms and Conditions (together, the “**PSU Award Agreement**”) may not be modified, amended or revised except in a writing signed by you and a duly authorized officer of the Company.
- You have read and are familiar with the provisions of the Plan, the PSU Award Agreement and the Prospectus. In the event of any conflict between the terms set forth in the PSU Award Agreement, the Prospectus, or the Plan, the terms of the Plan shall control.
- The PSU Award Agreement sets forth the entire understanding between you and the Company regarding the acquisition of Common Stock and supersedes all prior oral and written agreements, promises and/or representations on that subject with the exception of: (i) other equity awards previously granted to you, and (ii) any written employment agreement, offer letter, severance agreement, written severance plan or policy, or other written agreement between the Company and you in each case that specifies the terms that should govern the Target PSUs granted hereby.

Hyliion Holdings Corp.

By: _____
Signature

Title: _____
Date: _____

Participant:

Signature

Date:_____

Hyllion Holdings Corp.
2020 Equity Incentive Plan

Terms and Conditions (Performance RSUs)

The following terms and conditions are applicable to the Target PSUs granted pursuant to the Grant Notice:

1. Governing Plan Document. Your Target PSUs are subject in all respects to the provisions of the Plan, and to all interpretations, amendments, rules and regulations, that may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the PSU Award Agreement and the provisions of the Plan, the provisions of the Plan shall control.

2. Grant of Additional PSUs. Any additional PSUs that may be issued to you in respect of your Target RSUs as a result of a Capitalization Adjustment shall be subject, in the manner determined by the Board in its sole discretion, to the same forfeiture restrictions, restrictions on transferability, and time and manner of vesting and settlement as applicable to your Target PSUs.

3. Dividends. You shall not be entitled to any benefit in respect of or adjustment to your number of Target PSUs as a result of any cash dividend, stock dividend or other distribution that does not result from a Capitalization Adjustment. For the avoidance of doubt, this restriction applies only to the Target PSUs and shall not apply with respect to any shares of Common Stock that may be delivered to you in respect of Vested RSUs upon the occurrence of a Settlement Date.

4. Withholding Obligations.

(a) Regardless of any action taken by the Company or, if different, the Affiliate to which you provide Continuous Service (a “**Service Recipient**”) with respect to any income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items associated with the grant or vesting of the Target PSUs or sale of the underlying Common Stock or other tax-related items related to your participation in the Plan and legally applicable to you (the “**Tax Liability**”), you hereby acknowledge and agree that the Tax Liability is your ultimate responsibility and may exceed the amount of any tax withholding on your behalf by the Company or the Service Recipient. You further acknowledge that the Company and the Service Recipient (i) make no representations or undertakings regarding any Tax Liability in connection with any aspect of the Target PSUs, including, but not limited to, the grant or vesting of Target PSUs, the issuance of Common Stock pursuant to such vesting, the subsequent sale of shares of Common Stock, the payment of any dividends on the Common Stock, and the granting of any additional PSUs upon the occurrence of a Capitalization Adjustment; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Target PSUs to reduce or eliminate your Tax Liability or achieve a particular tax result. Further, if you are subject to Tax Liability in more than one jurisdiction, you acknowledge that the Company and/or the Service Recipient (or former service recipient, as applicable) may be required to withhold or account for Tax Liability in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Service Recipient to satisfy your entire Tax Liability. As further provided in Section 8 of the Plan, you hereby authorize the Company and any applicable Service Recipient to satisfy any applicable withholding obligations with regard to the Tax Liability by any of the following means or by a combination of such means: (i) causing you to pay any portion of the Tax Liability in cash or cash equivalent in a form acceptable to the Company; (ii) withholding from any compensation otherwise payable to you by the Company or the Service Recipient; (iii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to you in connection with the Target PSUs; provided, however, that to the extent necessary to qualify for an exemption from application of Section 16(b) of the Exchange Act, if applicable, such share withholding will be subject to the express prior approval of the Board or the Compensation Committee; (iv) permitting or requiring you to enter into a “same day sale” commitment, if applicable, with a broker-dealer that is a member of the Financial Industry Regulatory Authority (a “*FINRA Dealer*”), pursuant to this authorization and without further consent, whereby you irrevocably elect to sell a portion of the shares of Common Stock to be delivered in connection with your Target PSUs to satisfy the Tax Liability and whereby the FINRA Dealer irrevocably commits to forward the proceeds necessary to satisfy the Tax Liability directly to the Company or the Service Recipient; and/or (v) any other method determined by the Company to be in compliance with Applicable Law. Furthermore, you agree to pay the Company or the Service Recipient any amount the Company or the Service Recipient may be required to withhold, collect, or pay as a result of your participation in the Plan or that cannot be satisfied by the means previously described. If it is determined that the amount of the Tax Liability was greater than the amount withheld by the Company and/or the Service Recipient (as applicable), you agree to indemnify and hold the Company and/or the Service Recipient (as applicable) harmless from any failure by the Company or the applicable Service Recipient to withhold the proper amount.

(c) The Company may withhold or account for your Tax Liability by considering statutory withholding amounts or other withholding rates applicable in your jurisdiction(s), including (i) maximum applicable rates in your jurisdiction(s), in which case you may receive a refund of any over-withheld amount in cash (whether from applicable tax authorities or the Company) and you will have no entitlement to the equivalent amount in Common Stock or (ii) minimum or such other applicable rates in your jurisdiction(s), in which case you may be solely responsible for paying any additional Tax Liability to the applicable tax authorities or to the Company and/or the Service Recipient. If the Tax Liability withholding obligation is satisfied by withholding shares of Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Common Stock deliverable in respect of the Vested RSUs, notwithstanding that a portion of such Common Stock is held back solely for the purpose of paying such Tax Liability.

(d) You acknowledge that you may not participate in the Plan and the Company shall have no obligation to deliver shares of Common Stock to you until you have fully satisfied the entire Tax Liability, as determined by the Company.

5. Date of Issuance.

(a) The issuance of Common Stock in respect of the Target PSUs is intended to comply with U.S. Treasury Regulations Section 1.409A-3(a) and will be construed and administered in such a manner. Subject to the satisfaction of the Tax Liability withholding obligation, if any, on any Settlement Date, the Company shall, in full satisfaction of the Target PSUs, issue to you one (1) share of Common Stock multiplied by the number of Vested PSUs, as determined by the Board or the Compensation Committee based on upon its determination of achievement of the Performance Criteria, in whole shares of Common Stock, rounded down to the nearest whole share. Each issuance date determined by this paragraph is referred to as an “**Original Issuance Date**.”

(b) If the Original Issuance Date falls on a date that is not a business day, delivery shall instead occur on the next following business day. In addition, if:

(i) the Original Issuance Date does not occur (1) during an “open window period” as determined by the Company in accordance with the Company’s Insider Trading Policy as then in effect (or any successor policy thereto), or (2) on a date when you are otherwise permitted to sell shares of Common Stock on an established stock exchange or stock market (including but not limited to under a previously established written trading plan that meets the requirements of Rule 10b5-1 under the Exchange Act and was entered into in compliance with the Company’s policies (a “**10b5-1 Arrangement**”), and

(ii) either (1) a Tax Liability withholding obligation does not apply, or (2) the Company decides, prior to the Original Issuance Date, (A) not to satisfy on the Original Issuance Date the Tax Liability withholding obligation by withholding shares of Common Stock from the shares of Common Stock otherwise due to you under this Award, and (B) not to permit you to enter into a “same day sale” commitment with a broker-dealer (including but not limited to a commitment under a 10b5-1 Arrangement) and (C) not to permit you to pay your Tax Liability in cash, then the shares that would otherwise be issued to you on the Original Issuance Date will not be delivered on such Original Issuance Date and will instead be delivered on the first business day when you are not prohibited from selling shares of the Common Stock in the open public market, but in no event later than December 31 of the calendar year in which the Original Issuance Date occurs (that is, the last day of your taxable year in which the Original Issuance Date occurs), or, if and only if permitted in a manner that complies with U.S. Treasury Regulations Section 1.409A-1(b)(4), no later than the date that is the 15th day of the third calendar month of the applicable year following the year in which the shares of Common Stock that may be deliverable in respect of the Target RSUs are no longer subject to a “substantial risk of forfeiture” within the meaning of U.S. Treasury Regulations Section 1.409A-1(d).

6. Forfeiture.

(a) If the Participant experiences a termination of employment prior to a Vesting Date for any reason, then except as provided in an agreement between the Company and the Participant or other Company plan providing for the payment of severance to the Participant upon a separation from employment then in effect, the Participant shall forfeit, and shall have no further rights or interest with respect to, any of the Target PSUs that remain unvested as of such Vesting Date, with automatic and immediate effect as of the date of the termination of

employment. Notwithstanding the foregoing, if the Participant's employment is terminated by the Company without cause or due to the Participant's death or disability (within the meaning of Code Section 409A), the Participant shall be entitled to receive prorated number of the shares of Common Stock that would be delivered at the next-occurring Settlement Date in respect of the Vested RSUs, and all other unvested Target PSUs shall be forfeited. For purposes of this paragraph, proration shall occur by multiplying the number of shares of Common Stock that would have been delivered to Participant on next-occurring Settlement Date in respect of the Vested RSUs by a fraction, the numerator of which is the number of full and partial months of Participant's employment between the start of the Performance Period and the Vesting Date, and the denominator of which is the number of total months between the start of the Performance Period and the Vesting Date.

(b) The Target PSUs and the Performance Criteria, shall be subject to adjustment by the Board or the Compensation Committee (i) as provided in the Plan, (ii) as set forth on Exhibit A, and (iii) in recognition of unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or of changes in applicable laws, regulations or accounting principles, if the Board or the Compensation Committee determines that such adjustments are appropriate or necessary.

7. Transferability. Except as otherwise provided in the Plan, your Target PSUs (including, for the avoidance of doubt, any Vested PSUs) are not transferable, except by will or by the applicable laws of descent and distribution.

8. No Liability for Taxes. As a condition to accepting the grant of the Target PSUs, you hereby (a) agree to not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to Tax Liability arising from the Target PSUs and (b) acknowledge that you were advised to consult with your own personal tax, financial and other legal advisors regarding the tax consequences of the PSU Award and have either done so or knowingly and voluntarily declined to do so.

9. Severability. If any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid will, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

10. Other Documents. You hereby acknowledge receipt of or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Prospectus. In addition, you acknowledge receipt of the Company's Insider Trading Policy.

11. Questions. If you have questions regarding these or any other terms and conditions applicable to your grant of Target PSUs, including a summary of the applicable federal income tax consequences please see the Prospectus.

EXHIBIT A
TO
PSU AWARD AGREEMENT

Performance Criteria

1. Subject to the terms of the PSU Award Agreement and Plan, Participant will be eligible to conditionally vest in a portion of the Target PSUs upon the Company maintaining an average closing stock price over a thirty-trading day period for one share of Common Stock on the New York Stock Exchange in excess of certain price thresholds, all as set forth in the table below:

Common Stock Price Threshold	% of Target PSUs Vested	Cumulative % of Target PSUs Vested
\$2.00	20% of Target PSUs	20%
\$2.50	30% of Target PSUs	50%
\$3.00	50% of Target PSUs	100%

(the “*Performance Criteria*”).

2. The Committee shall have the right, in its sole discretion, to appropriately and proportionately adjust the Performance Criteria upon any change made in, or upon any other events that occur with respect to, the Common Stock through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction (as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 or any successor thereto).

CERTIFICATIONS

I, Thomas Healy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hyliion Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2024

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

CERTIFICATIONS

I, Jon Panzer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hyliion Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2024

By: /s/ Jon Panzer
Jon Panzer
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Hyliion Holdings Corp. (the “Company”) on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Thomas Healy, 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 as of, and for, the periods presented in this Report.

Date: April 30, 2024

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

The foregoing certification is being furnished solely to accompany the report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of Hyliion Holdings Corp. (the “Company”) on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Jon Panzer, 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 as of, and for, the periods presented in this Report.

Date: April 30, 2024

By: /s/ Jon Panzer
Name: Jon Panzer
Title: Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely to accompany the report pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.