

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

OR

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

For the transition period from _____ to _____

Commission file number 001-39982

ENERGY VAULT HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

85-3230987

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

4360 Park Terrace Drive, Suite 100
Westlake Village, California

91361

(Address of Principal Executive Offices)

(Zip Code)

(805) 852-0000

Registrant's telephone number, including area code

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	NRGV	New York Stock Exchange

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 and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 Act). Yes ☐ No ☒

The registrant had 143,545,721, shares of common stock, par value \$0.0001 per share, outstanding as of November 2, 2023.

TABLE OF CONTENTS

	<u>Page</u>
Cautionary Note Regarding Forward-Looking Statements	3
Part I - Financial Information	
Item 1. Financial Statements	4
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3. Quantitative and Qualitative Disclosures About Market Risk	36
Item 4. Controls and Procedures	37
Part II - Other Information	39
Item 1. Legal Proceedings	39
Item 1A. Risk Factors	39
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 3. Defaults Upon Senior Securities	39
Item 4. Mine Safety Disclosures	39
Item 5. Other Information	39
Item 6. Exhibits	40
Signatures	41

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other important factors that are in some cases beyond our control and may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- changes in our strategy, expansion plans, customer opportunities, future operations, future financial position, estimated revenues and losses, projected costs, prospects and plans;
- the implementation, market acceptance and success of our business model and growth strategy;
- our ability to develop and maintain our brand and reputation;
- developments and projections relating to our business, our competitors, and industry;
- the impact of health epidemics on our business and the actions we may take in response thereto;
- our expectations regarding our ability to obtain and maintain intellectual property protection and not infringe on the rights of others;
- expectations regarding the time during which we will be an emerging growth company under the JOBS Act;
- our future capital requirements and sources and uses of cash;
- the international nature of our operations and the impact of war or other hostilities on our business and global markets;
- our ability to obtain funding for our operations and future growth; and
- our business, expansion plans and opportunities.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements. Additionally, our discussions of ESG assessments, goals and relevant issues herein are informed by various ESG standards and frameworks (including standards for the measurement of underlying data), and the interests of various stakeholders. References to “materiality” in the context of such discussions and any related assessment of ESG “materiality” may differ from the definition of “materiality” under the federal securities laws for SEC reporting purposes. Furthermore, much of this information is subject to assumptions, estimates or third-party information that is still evolving and subject to change. For example, our disclosures based on any standards may change due to revisions in framework requirements, availability of information, changes in our business or applicable government policies, or other factors, some of which may be beyond our control.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

Part I—Financial Information
Item 1. Financial Statements
ENERGY VAULT HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands except par value)

	September 30, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 74,236	\$ 203,037
Restricted cash	57,986	83,145
Accounts receivable, net of allowance for credit losses of \$59 and \$— as of September 30, 2023 and December 31, 2022, respectively	26,759	37,460
Contract assets, net of allowance for credit losses of \$1,237 and \$— as of September 30, 2023 and December 31, 2022, respectively	64,492	28,978
Inventory	4,953	4,378
Customer financing receivable, current portion, net of allowance for credit losses of \$187 and \$— as of September 30, 2023 and December 31, 2022, respectively	1,313	1,500
Advances to suppliers	10,082	24,327
Prepaid expenses and other current assets	5,294	7,242
Total current assets	245,115	390,067
Property and equipment, net	25,707	3,044
Intangible assets	953	—
Operating lease right-of-use assets	1,106	1,442
Customer financing receivable, long-term portion, net of allowance for credit losses of \$1,115 and \$— as of September 30, 2023 and December 31, 2022, respectively	7,808	8,260
Investments	17,231	11,080
Other assets	2,617	2,820
Total Assets	\$ 300,537	\$ 416,713
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 20,651	\$ 60,315
Accrued expenses	32,962	14,749
Contract liabilities, current portion	4,585	49,434
Lease liabilities, current portion	725	825
Total current liabilities	58,923	125,323
Deferred pension obligation	1,081	890
Contract liabilities, long-term portion	1,500	1,500
Other long-term liabilities	745	1,287
Total liabilities	62,249	129,000
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, \$0.0001 par value; 5,000 shares authorized, none issued	—	—
Common stock, \$0.0001 par value; 500,000 shares authorized, 143,441 issued and outstanding at September 30, 2023 and 138,530 at December 31, 2022	14	14
Additional paid-in capital	465,038	435,852
Accumulated deficit	(225,900)	(147,265)
Accumulated other comprehensive loss	(864)	(888)
Total stockholders' equity	238,288	287,713
Total Liabilities and Stockholders' Equity	\$ 300,537	\$ 416,713

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

ENERGY VAULT HOLDINGS, INC.

**Condensed Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)
(In thousands except per share data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	\$ 172,205	\$ 1,694	\$ 223,307	\$ 45,555
Cost of revenue	165,057	1,623	209,793	2,194
Gross profit	7,148	71	13,514	43,361
Operating expenses:				
Sales and marketing	4,183	3,758	13,609	8,287
Research and development	8,156	11,655	29,552	28,769
General and administrative	15,810	12,878	52,222	33,258
Depreciation and amortization	235	5,158	670	7,562
Asset impairment	—	2,828	—	2,828
Loss from operations	(21,236)	(36,206)	(82,539)	(37,343)
Other income (expense):				
Interest expense	(18)	—	(19)	(1)
Interest income	1,919	1,024	6,149	1,356
Change in fair value of warrant liability	—	6,706	—	2,061
Transaction costs	—	—	—	(20,586)
Other expense, net	(8)	(104)	(259)	(151)
Loss before income taxes	(19,343)	(28,580)	(76,668)	(54,664)
Provision (benefit) for income taxes	(401)	185	(397)	358
Net loss	\$ (18,942)	\$ (28,765)	\$ (76,271)	\$ (55,022)
Net loss per share — basic and diluted	\$ (0.13)	\$ (0.21)	\$ (0.54)	\$ (0.46)
Weighted average shares outstanding — basic and diluted	143,867	140,302	142,052	118,560
Other comprehensive income (loss) — net of tax				
Actuarial gain (loss) on pension	\$ (130)	\$ 1	\$ (184)	\$ 561
Foreign currency translation gain (loss)	42	(8)	208	(363)
Total other comprehensive income (loss)	(88)	(7)	24	198
Total comprehensive loss	\$ (19,030)	\$ (28,772)	\$ (76,247)	\$ (54,824)

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

ENERGY VAULT HOLDINGS, INC.

Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(Unaudited)
(In thousands)

Three Months Ended September 30, 2023						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at June 30, 2023	142,703	\$ 14	\$ 455,283	\$ (206,958)	\$ (776)	\$ 247,563
Exercise of stock options	136	—	110	—	—	110
Stock based compensation	—	—	10,714	—	—	10,714
Vesting of RSUs, net of shares withheld for payroll taxes	602	—	(1,069)	—	—	(1,069)
Net loss	—	—	—	(18,942)	—	(18,942)
Actuarial loss on pension	—	—	—	—	(130)	(130)
Foreign currency translation gain	—	—	—	—	42	42
Balance at September 30, 2023	143,441	\$ 14	\$ 465,038	\$ (225,900)	\$ (864)	\$ 238,288

Three Months Ended September 30, 2022						
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at June 30, 2022	134,441	\$ 13	\$ 402,004	\$ (95,223)	\$ (208)	\$ 306,586
Exercise of stock options	114	—	95	—	—	95
Exercise of warrants	2,190	1	14,523	—	—	14,524
Stock based compensation	—	—	10,894	—	—	10,894
Vesting of RSUs, net of shares withheld for payroll taxes	1,094	—	(3,017)	—	—	(3,017)
Net loss	—	—	—	(28,765)	—	(28,765)
Actuarial gain on pension	—	—	—	—	1	1
Foreign currency translation loss	—	—	—	—	(8)	(8)
Balance at September 30, 2022	137,839	\$ 14	\$ 424,499	\$ (123,988)	\$ (215)	\$ 300,310

ENERGY VAULT HOLDINGS, INC.

Condensed Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit) (Continued)
(Unaudited)
(In thousands)

Nine Months Ended September 30, 2023						
	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Paid-In Capital	Deficit	Other Comprehensive Income (Loss)	Stockholders' Equity
Balance at December 31, 2022	138,530	\$ 14	\$ 435,852	\$ (147,265)	\$ (888)	\$ 287,713
Adoption of ASU 2016-13	—	—	—	(2,364)	—	(2,364)
Exercise of stock options	277	—	223	—	—	223
Stock based compensation	—	—	34,523	—	—	34,523
Vesting of RSUs, net of shares withheld for payroll taxes	4,634	—	(5,560)	—	—	(5,560)
Net loss	—	—	—	(76,271)	—	(76,271)
Actuarial loss on pension	—	—	—	—	(184)	(184)
Foreign currency translation gain	—	—	—	—	208	208
Balance at September 30, 2023	143,441	\$ 14	\$ 465,038	\$ (225,900)	\$ (864)	\$ 238,288

Nine Months Ended September 30, 2022								
	Convertible Preferred Stock		Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Other Comprehensive Income (Loss)	Stockholders' Equity (Deficit)
Balance at December 31, 2021	85,741	\$ 182,709	20,432	\$ —	\$ 713	\$ (68,966)	\$ (413)	\$ (68,666)
Conversion of convertible preferred stock into common stock in connection with reverse recapitalization	(85,741)	(182,709)	85,741	9	182,700	—	—	182,709
Issuance of common stock upon the reverse recapitalization, net of transaction costs	—	—	27,553	3	191,856	—	—	191,859
Exercise of stock options	—	—	146	1	130	—	—	131
Exercise of warrants	—	—	2,873	1	25,360	—	—	25,361
Stock based compensation	—	—	—	—	26,757	—	—	26,757
Vesting of RSUs, net of shares withheld for payroll taxes	—	—	1,094	—	(3,017)	—	—	(3,017)
Net loss	—	—	—	—	—	(55,022)	—	(55,022)
Actuarial gain on pension	—	—	—	—	—	—	561	561
Foreign currency translation loss	—	—	—	—	—	—	(363)	(363)
Balance at September 30, 2022	—	\$ —	137,839	\$ 14	\$ 424,499	\$ (123,988)	\$ (215)	\$ 300,310

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

ENERGY VAULT HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2023	2022
Cash Flows From Operating Activities		
Net loss	\$ (76,271)	\$ (55,022)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	670	7,562
Non-cash interest income	(1,039)	(217)
Stock based compensation	34,523	26,757
Asset impairment	—	2,828
Change in fair value of warrant liability	—	(2,061)
Change in pension obligation	1	21
Change in asset retirement obligation	(375)	(93)
Change in warranty accrual	130	—
Provision for credit losses	234	—
Foreign exchange gains and losses	308	163
Change in operating assets	(2,938)	(55,247)
Change in operating liabilities	(71,293)	27,514
Net cash used in operating activities	<u>(116,050)</u>	<u>(47,795)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(27,182)	(679)
Purchase of equity securities	(6,000)	—
Purchase of convertible notes	—	(2,000)
Net cash used in investing activities	<u>(33,182)</u>	<u>(2,679)</u>
Cash Flows From Financing Activities		
Proceeds from exercise of stock options	223	131
Proceeds from insurance premium financings	1,250	—
Proceeds from reverse recapitalization and PIPE financing, net	—	235,940
Proceeds from exercise of warrants	—	7,855
Repayment of insurance premium financings	(394)	—
Payment of transaction costs related to reverse recapitalization	—	(20,651)
Payment of taxes related to net settlement of equity awards	(5,703)	(3,017)
Payment of finance lease obligations	(31)	(51)
Net cash provided by (used in) financing activities	<u>(4,655)</u>	<u>220,207</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(73)	(123)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(153,960)	169,610
Cash, cash equivalents, and restricted cash – beginning of the period	286,182	105,125
Cash, cash equivalents, and restricted cash – end of the period	132,222	274,735
Less: Restricted cash at end of period	57,986	25,086
Cash and cash equivalents - end of period	<u>\$ 74,236</u>	<u>\$ 249,649</u>

ENERGY VAULT HOLDING, INC.

Condensed Consolidated Statements of Cash Flows (Continued)
(Unaudited)
In Thousands

Nine Months Ended September 30,

	2023	2022
Supplemental Disclosures of Cash Flow Information:		
Income taxes paid	46	3
Cash paid for interest	19	1
Supplemental Disclosures of Non-Cash Investing and Financing Information:		
Conversion of redeemable preferred stock into common stock in connection with the reverse recapitalization	—	182,709
Warrants assumed as part of reverse recapitalization	—	19,838
Actuarial gain (loss) on pension	(184)	561
Property and equipment financed through accounts payable and accrued expenses	3,595	—

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

ENERGY VAULT HOLDINGS, INC.**Notes to Condensed Consolidated Financial Statements
(Unaudited)****NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

Energy Vault Holdings, Inc., which together with its subsidiaries is referred to herein as “Energy Vault” or the “Company”, is a grid-scale energy storage company that is driving a faster transition to more pervasive renewable power by solving the intermittence issues that are inherent to the most prevalent forms of renewable power, solar and wind. The Company’s mission is to provide energy storage solutions to accelerate the global transition to renewable energy.

Energy Vault was originally incorporated under the name Novus Capital Corporation II (“Novus”) as a special purpose acquisition company in the state of Delaware in September 2020 with the purpose of effecting a merger with one or more operating businesses. On September 8, 2021, Novus announced that it had entered into a definitive agreement for a business combination (the “Merger Agreement”) with Energy Vault, Inc. (“Legacy Energy Vault”) that would result in Legacy Energy Vault becoming a wholly owned subsidiary of Novus (the “Merger”). Upon the closing of the Merger on February 11, 2022 (the “Closing”), Novus was immediately renamed to “Energy Vault Holdings, Inc.” The Merger between Novus and Legacy Energy Vault was accounted for as a reverse recapitalization in accordance with United States Generally Accepted Accounting Principles (“GAAP”). See Note 3 - *Reverse Capitalization* for more information.

Throughout the notes to the consolidated condensed financial statements, unless otherwise noted, the “Company,” “we,” “us,” or “our” and similar terms refer to Legacy Energy Vault and its subsidiaries prior to the consummation of the Merger, and Energy Vault and its subsidiaries after the consummation of the Merger.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Basis of Presentation***

The accompanying unaudited interim condensed consolidated financial statements have been prepared on an accrual basis of accounting in accordance with GAAP and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes for the year ended December 31, 2022. The condensed consolidated balance sheet as of December 31, 2022, included herein, was derived from the consolidated financial statements of the Company as of that date.

These unaudited interim condensed consolidated financial statements, in the opinion of management, reflect all adjustments necessary to present fairly the Company’s financial position as of September 30, 2023 and the Company’s results of operations and comprehensive loss, convertible preferred stock and stockholders’ equity activities, and the cash flows for the three and nine months ended September 30, 2023 and 2022. The results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023 or for any interim period or for any other future year.

Principles of Consolidation

These unaudited interim condensed consolidated financial statements include Energy Vault Holdings, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

If the Company has a variable interest in an entity, an assessment is performed to determine if that entity is a variable interest entity (“VIE”), and if so, if the Company is the primary beneficiary of the VIE. The assessment of whether an entity is a VIE requires an evaluation of qualitative factors and, where applicable, quantitative factors. These factors include: (i) determining whether the entity has sufficient equity at risk, (ii) evaluating whether the equity holders, as a group, lack the ability to make decisions that significantly affect the economic performance of the entity, and (iii) determining whether the entity is structured with disproportionate voting rights in relation to their equity interests. The Company has determined that it is not the primary beneficiary of any VIEs in which it has a variable interest as of September 30, 2023.

Emerging Growth Company

Section 102(b)(1) of the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that

ENERGY VAULT HOLDINGS, INC.**Notes to Condensed Consolidated Financial Statements
(Unaudited)**

is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that an emerging growth company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period, which means that when a standard is issued or revised, and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard.

This may make comparison of the Company's consolidated financial statement with another public company that is neither an emerging growth company nor an emerging growth company that has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of the condensed consolidated financial statements, in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the unaudited interim condensed consolidated financial statements and accompanying notes. The Company evaluates its assumptions on an ongoing basis. The Company's management believes that the estimates, judgment, and assumptions used are reasonable based upon information available at the time they are made. Significant estimates made by management include, among others, revenue recognition, stock-based compensation, and valuation of warrant liability. Due to the inherent uncertainty involved in making assumptions and estimates, changes in circumstances could result in actual results differing from those estimates, and such differences could be material to the Company's consolidated financial condition and results of operations.

Segment Reporting

The Company reports its operating results and financial information in one operating and reportable segment. Our chief operating decision maker, which is our chief executive officer, reviews our operating results on a consolidated basis and uses that consolidated financial information to make operating decisions, assess financial performance, and allocate resources.

Concentration of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, accounts receivable, and customer financings receivable.

Risks associated with cash and cash equivalents and restricted cash are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts.

As of September 30, 2023, two customers accounted for 73% and 19% of accounts receivable, respectively. As of December 31, 2022, two customers accounted for 78% and 16% of accounts receivable, respectively.

As of September 30, 2023 and December 31, 2022, one customer accounted for 100% of the customer financing receivable.

Revenue from two customers accounted for 59% and 38% of total revenue, respectively, for the three months ended September 30, 2023 and revenue from three customers accounted for 47%, 33%, and 20% of total revenue, respectively, for the nine months ended September 30, 2023. Revenue from two customers accounted for 68% and 32% of total revenue, respectively for the three months ended September 30, 2022 and revenue from one customer accounted for 97% of total revenue for the nine months ended September 30, 2022.

Summary of Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 2 of the notes to the consolidated financial statements included in the Company's 2022 Annual Report on Form 10-K filed with the SEC on April 13, 2023. There have been no significant changes to these policies during the nine months ended September 30, 2023, except as described below under the heading, "Recently Adopted Accounting Pronouncements."

ENERGY VAULT HOLDINGS, INC.**Notes to Condensed Consolidated Financial Statements
(Unaudited)*****Recently Adopted Accounting Pronouncements***

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amended the impairment model to improve financial reporting by requiring earlier recognition of credit losses on certain financial assets. This standard replaces the previous incurred loss impairment model that recognized losses when a probable threshold was met, with a requirement to recognize lifetime expected credit losses immediately when a financial asset is acquired or purchased. The Company adopted the standard on January 1, 2023 using the modified retrospective method, which required a cumulative effect adjustment to accumulated deficit of \$2.4 million, driven by the Company's accounts receivables, contract assets, and customer financing receivable.

NOTE 3. REVERSE RECAPITALIZATION

On February 11, 2022, in connection with the Merger, the Company raised gross proceeds of \$235.9 million, including the contribution of \$40.9 million of cash, net of redemptions, held in Novus' trust account from its initial public offering and an aggregate purchase price of \$195.0 million from the sale and issuance of common shares in a private placement ("Private Investment in Public Equity" or "PIPE") at \$10.00 per share. The Company and Novus incurred in aggregate approximately \$44.8 million in transaction costs, consisting of underwriting, legal, and other professional fees, of which \$24.2 million was recorded to additional paid-in-capital as a reduction of proceeds and the remaining \$20.6 million was expensed immediately upon the Closing. The aggregate consideration paid to Legacy Energy Vault stockholders in connection with the Merger (excluding any potential Earn-Out Shares), was 106.2 million shares of the Company's common stock, par value \$0.0001 after giving effect to the exchange ratio of 6.7735 (the "Exchange Ratio"). The total net cash proceeds to the Company were \$191.1 million.

The following transactions were completed as part of the Merger:

- All issued and outstanding shares of Legacy Energy Vault convertible preferred stock were canceled and converted into a total of 85.7 million shares of Energy Vault common stock;
- Each issued and outstanding share of Legacy Energy Vault common stock was canceled and converted into a total of 20.4 million shares of Energy Vault common stock;
- Each outstanding vested and unvested Legacy Energy Vault common stock option was converted into options exercisable for shares of Energy Vault common stock with the same terms except for the number of shares exercisable and the exercise price, each of which was adjusted by the Exchange Ratio;
- Each outstanding and unvested Legacy Energy Vault restricted stock unit ("RSU") was converted into RSUs for shares of Energy Vault common stock with the same terms except for the number of shares, each of which was adjusted by the Exchange Ratio; and
- Each outstanding vested and unvested Legacy Energy Vault restricted stock award ("RSA") was converted into RSAs for shares of Energy Vault common stock with the same terms except for the number of shares, each of which was adjusted by the Exchange Ratio.

The Merger was accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, Novus was treated as the acquired company for financial reporting purposes. The reverse recapitalization accounting treatment was primarily determined based on the shareholders of Legacy Energy Vault having a relative majority of the voting power of Energy Vault and having the ability to nominate the majority of the members of the Energy Vault Board, senior management of Legacy Energy Vault comprise the senior management of Energy Vault, and the operations of Legacy Energy Vault prior to the Merger comprise the ongoing operations of Energy Vault. Accordingly, for accounting purposes, the financial statements of the combined entity upon completion of the Merger represent a continuation of the financial statements of Legacy Energy Vault with the Merger being treated as the equivalent of Legacy Energy Vault issuing shares for the net assets of Novus, accompanied by a recapitalization. The net assets of Novus were recognized at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Merger are presented as those of Legacy Energy Vault and the accumulated deficit of Legacy Energy Vault has been carried forward after Closing.

All periods prior to the Merger have been retroactively adjusted using the Exchange Ratio for the equivalent number of shares outstanding immediately after the Closing to effect the reverse recapitalization.

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

The number of shares of common stock issued following the consummation of the Merger was as follows (in thousands):

	Shares
Legacy Energy Vault stock ⁽¹⁾	106,172
Novus public shares ⁽²⁾	4,079
Novus sponsor shares ⁽³⁾	3,975
PIPE shares	19,500
Total shares of Energy Vault common stock issued as part of the Merger	133,726

⁽¹⁾ Excludes 9.0 million common shares issuable in earn-out arrangements as they are not issuable until 90 days after the Closing and are contingently issuable based upon the Company's share price meeting certain thresholds.

⁽²⁾ Excludes 14.7 million warrants issued and outstanding as of the Closing of the Merger which includes 9.6 million public warrants and 5.2 million private warrants held by the Novus Sponsor.

⁽³⁾ Includes 1.6 million common shares that have transfer restrictions based on the Company's share price meeting certain thresholds. These 1.6 million common shares are held in escrow and are subject to potential forfeiture.

NOTE 4. REVENUE RECOGNITION

The Company recognized revenue for the product and service categories as follows for the three and nine months ended September 30, 2023 and 2022 (amounts in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Build and transfer energy storage products	\$ 171,935	\$ 1,153	\$ 222,739	\$ 1,153
Licensing of intellectual property	—	—	—	42,884
Other ⁽¹⁾	270	541	568	1,518
Total revenue	\$ 172,205	\$ 1,694	\$ 223,307	\$ 45,555

⁽¹⁾ Includes revenue related to the amortization of deferred revenue and cost reimbursements from providing construction support services.

Remaining Performance Obligations

Remaining performance obligations represent the amount of unearned transaction prices under contracts for which work is wholly or partially unperformed. As of September 30, 2023, the amount of the Company's remaining performance obligations was \$255.5 million. The Company generally expects to recognize approximately 50% of the remaining performance obligations as revenue over the next twelve months and the remainder between thirteen and twenty-four months from September 30, 2023.

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)*Contract Balances*

The following table provides information about contract assets and contract liabilities from contracts with customers.

	September 30, 2023	December 31, 2022
Refundable contribution	\$ 25,000	\$ 25,000
Unbilled receivables	35,367	531
Retainage	5,362	3,447
Less allowance for credit losses	(1,237)	—
Contract assets, net of allowance for credit losses	<u>\$ 64,492</u>	<u>\$ 28,978</u>
Contract liabilities, current portion	\$ 4,585	\$ 49,434
Contract liabilities, long-term portion	1,500	1,500
Total contract liabilities	<u>\$ 6,085</u>	<u>\$ 50,934</u>

Contract assets consist of a refundable contribution, unbilled receivables, and retainage. Refundable contribution represents the contribution the Company made to a customer to be used during the construction of its first gravity energy storage system (“GESS”), which will be refunded to the Company upon the customer’s first GESS obtaining substantial completion, subject to adjustment for potential liquidated damages if certain performance metrics are not met. Unbilled receivables represent the estimated value of unbilled work for projects with performance obligations recognized over time. Retainage represents a portion of the contract amount that has been billed, but for which the contract allows the customer to retain a portion of the billed amount until final contract settlement. Retainage is not considered to be a significant financing component because the intent is to protect the customer.

Contract liabilities consist of deferred revenue. Under certain contracts, the Company may be entitled to invoice the customer and receive payments in advance of performing the related contract work. In those instances, the Company recognizes a liability for advance billings in excess of revenue recognized, which is referred to as deferred revenue. Deferred revenue is not considered to be a significant financing component because it is generally used to meet working capital demands that can be higher in the early stages of a contract. For the three and nine months ended September 30, 2023, the Company recognized revenue of \$28.3 million and \$45.9 million, respectively, related to amounts that were included in deferred revenue as of December 31, 2022, primarily as a result of the advancement of physical progress on the related projects during the period.

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 5. ALLOWANCE FOR CREDIT LOSSES

Activity in the allowance for credit losses was as follows for the three and nine months ended September 30, 2023 (amounts in thousands):

	Three Months Ended September 30, 2023			
	Accounts Receivable	Contract Assets	Customer Financing Receivable	Total
Allowance for credit losses, beginning of period	\$ 12	\$ 1,318	\$ 1,274	\$ 2,604
Provision (benefit) for credit losses	47	(81)	28	(6)
Allowance for credit losses, end of period	<u>\$ 59</u>	<u>\$ 1,237</u>	<u>\$ 1,302</u>	<u>\$ 2,598</u>

	Nine Months Ended September 30, 2023			
	Accounts Receivable	Contract Assets	Customer Financing Receivable	Total
Allowance for credit losses, beginning of period	\$ —	\$ —	\$ —	\$ —
Addition due to adoption of ASU 2016-13	81	1,063	1,220	2,364
Provision (benefit) for credit losses	(22)	174	82	234
Allowance for credit losses, end of period	<u>\$ 59</u>	<u>\$ 1,237</u>	<u>\$ 1,302</u>	<u>\$ 2,598</u>

The Company did not have allowance or a provision for credit losses during the three and nine months ended September 30, 2022.

The Company utilizes a probability-of-default (“PD”) and loss-given-default (“LGD”) methodology to calculate the allowance for expected credit losses for each customer by type of financial asset. Due to the Company’s limited operating history and lack of loss history, the Company derived its PD and LGD rates using average historical rates for corporate bonds as published by Moody’s. The Company uses PD and LGD rates that correspond to the customer’s credit rating and period of time in which the financial asset is expected to remain outstanding.

The Company evaluates its customer financing receivable on a periodic basis by monitoring the credit quality and financial condition of the guarantor for the customer. The amortized cost basis for the Company’s customer financing receivable was \$10.4 million and \$9.8 million as of September 30, 2023 and December 31, 2022, respectively.

NOTE 6. FAIR VALUE MEASUREMENTS

Carrying amounts of certain financial instruments, including cash, accounts payable, and accrued liabilities approximate their fair value due to their relatively short maturities and market interest rates, if applicable.

The Company categorizes assets and liabilities recorded or disclosed at fair value on the consolidated balance sheet based upon the level of judgment associated with inputs used to measure their fair value. The categories are as follows:

- *Level 1*—Inputs which included quoted prices in active markets for identical assets and liabilities.
- *Level 2*—Inputs other than Level 1 that are observable, either directly or indirectly, 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 for substantially the full term of the assets or liabilities.
- *Level 3*—Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

The Company's financial assets and liabilities measured at fair value on a recurring basis were as follows as of September 30, 2023 and December 31, 2022, respectively (amounts in thousands):

	Level 1	Level 2	Level 3	Total
Assets (Liabilities):				
Derivative asset — conversion option ⁽¹⁾	\$ —	\$ —	\$ 1,025	\$ 1,025
Warrant liability ⁽²⁾	—	—	(2)	(2)

⁽¹⁾ Refer to Note 8 - *Investments* for further information.

⁽²⁾ Refer to Note 13 - *Warrants* for further information.

NOTE 7. RELATED PARTY TRANSACTIONS

In May 2019, the Company received a \$1.5 million deposit for a gravity based system from a customer that was owned by one of its primary shareholders; the order remains outstanding as of September 30, 2023. The deposit and order were received before the owner of the customer became one of the Company's primary shareholders. This deposit is recognized in the line item, contract liabilities, long-term portion, in the condensed consolidated balance sheets.

During the three and nine months ended September 30, 2023, the Company paid contracted engineering, design, and civil tolerance code calculation support fees of \$49 thousand and \$0.2 million respectively, to an immediate family member of an executive officer. During the three and nine months ended September 30, 2022, the Company paid \$0.1 million and \$0.3 million respectively. The Company retains all intellectual property as part of these services.

During the three and nine months ended September 30, 2023, the Company paid GESS construction and testing costs of \$0.1 million and \$0.3 million respectively, to a local company owned by an immediate family member of an employee. During the three and nine months ended September 30, 2022, the Company paid \$0.1 million and \$0.4 million, respectively.

During the three and nine months ended September 30, 2023, the Company paid \$— and \$0.1 million, respectively, in primary market research and business development consulting costs to a company owned by an officer of the Company. During the three and nine months ended September 30, 2022, the Company paid \$0.1 million and \$0.2 million, respectively.

During the three and nine months ended September 30, 2023, the Company paid \$0.4 million and \$1.2 million, respectively in marketing and sales costs to a company owned by an immediate family member of an officer of the Company. During the three and nine months ended September 30, 2022, the Company paid \$0.3 million and \$0.8 million, respectively.

In May 2023, the Company signed a technology license option agreement with a company affiliated with a member of Energy Vault's Board. The agreement permits the customer to exercise options to enter into licensing agreements in certain territories to use the Company's gravity storage technology for a fee of \$0.5 million. As of September 30, 2023, the \$0.5 million fee was recorded in the line item, contract liabilities, current portion, in the condensed consolidated balance sheets. The customer exercised its option for one of the territories on June 30, 2023 for a contracted value of \$41.5 million to be paid over a 10-year period.

NOTE 8. INVESTMENTS

The following table provides a reconciliation of investments to the Company's condensed consolidated balance sheets (amounts in thousands):

	September 30, 2023	December 31, 2022
Investment in equity securities	\$ 15,000	\$ 9,000
Convertible note receivable	2,231	2,080
	<u>\$ 17,231</u>	<u>\$ 11,080</u>

ENERGY VAULT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Convertible Note Receivable

In October 2021, the Company entered into a convertible promissory note purchase agreement with DG Fuels, LLC (“DG Fuels”) and purchased a promissory note with a principal balance of \$1.0 million (“DG Fuels Tranche 1 Note”). In April 2022, the Company purchased an additional promissory note from DG Fuels with a principal balance of \$2.0 million. (“DG Fuels Tranche 2 Note”) (collectively, the “DG Fuels Note”). The convertible promissory note is recorded in other assets in the condensed consolidated balance sheets.

The maturity date of the DG Fuels Note is the earlier of (i) 30 days after a demand for payment is made by the Company at any time after the two year anniversary of the date of issuance of the note; (ii) the four year anniversary of the date of issuance of the note; (iii) five days following a Financial Close (“Financial Close” means a project finance style closing by DG Fuels or its subsidiary of debt and equity capital to finance the construction of that certain biofuel facility currently under development by DG Fuels), or (iv) upon an event of default determined at the discretion of the Company. The DG Fuels Note has an annual interest rate of 10.0%.

The Company intends to hold and convert the DG Fuels Note into the equity securities issued by DG Fuels in its next equity financing round that is greater than \$20.0 million at a 20% discount to the issuance price. The principal balance and unpaid accrued interest on the DG Fuels Note will, at the option of the Company, convert into equity securities upon the closing of such next equity financing round.

The discounted conversion rate in the DG Fuels Note is considered a redemption feature that is an embedded derivative, which requires bifurcation and separate accounting at its estimated fair value under ASC 815 – *Derivative and Hedging*. The embedded derivative upon the purchase of the DG Fuels Tranche 1 Note was an asset of \$0.4 million and the embedded derivative upon the purchase of the DG Fuels Tranche 2 note was an asset of \$0.7 million. The estimated fair value of the derivative instruments was recognized as a derivative asset on the condensed consolidated balance sheets, with an offsetting discount to the DG Fuels Note. The Company amortizes the discount on the Note into interest income using the effective interest method. The Company recognized interest income from the DG Fuels Note of \$0.1 million and \$0.4 million, respectively, for the three and nine months ended September 30, 2023 and \$0.1 million and \$0.2 million, respectively, for the three and nine months ended September 30, 2022. Interest income related to the amortization of the debt discount was \$0.1 million and \$0.2 million, respectively, for the three and nine months ended September 30, 2023 and \$33 thousand and \$0.1 million, respectively, for the three and nine months ended September 30, 2022.

At each reporting period, the Company remeasures this derivative financial instrument to its estimated fair value. The change in the estimated fair value is recorded in other income, net in the consolidated statement of operations and comprehensive loss. For the three and nine months ended September 30, 2023 and 2022, there was no change in the fair value of the embedded derivative.

A reconciliation of the beginning and ending asset balance for the embedded derivative in the DG Fuels Note is as follows (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning of period	\$ 1,025	\$ 1,025	\$ 1,025	350
Additions	—	—	—	675
Change in fair value	—	—	—	—
End of period	<u>\$ 1,025</u>	<u>\$ 1,025</u>	<u>\$ 1,025</u>	<u>1,025</u>

The Company has determined that DG Fuels is a variable interest entity and that the Company has a variable interest in it through the DG Fuels note. The Company is not the primary beneficiary of DG Fuels, and thus is not required to consolidate DG Fuels. The Company’s maximum exposure to loss related to DG Fuels is limited to the Company’s investment of \$3.0 million.

ENERGY VAULT, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Investment in Equity Securities

In November 2022, the Company purchased \$9.0 million of equity securities in KORE Power, Inc. (“KORE”), a U.S. manufacturer of battery cells and modules. In February 2023, the Company purchased an additional \$6.0 million of equity securities, increasing the Company’s total investment in KORE to \$15.0 million.

These equity securities do not have a readily determinable fair value and are recorded at cost, less any impairment, plus or minus adjustments related to observable transactions for the same or similar securities, with unrealized gains and losses included in earnings. As of September 30, 2023 and December 31, 2022, the carrying value of these equity securities was equal to its cost basis.

NOTE 9. PROPERTY AND EQUIPMENT, NET

As of September 30, 2023 and December 31, 2022, property and equipment, net consisted of the following (amounts in thousands):

	September 30, 2023	December 31, 2022
Buildings	\$ 774	\$ —
Machinery and equipment	7,907	657
Finance lease right-of-use assets – vehicles	180	178
Furniture and IT equipment	1,314	815
Leasehold improvements	691	529
Construction in progress	16,223	1,268
Total property and equipment	<u>27,089</u>	<u>3,447</u>
Less: accumulated depreciation and amortization	<u>(1,382)</u>	<u>(403)</u>
Property and equipment, net	<u>\$ 25,707</u>	<u>\$ 3,044</u>

For the three and nine months ended September 30, 2023, depreciation and amortization related to property and equipment was \$0.2 million and \$0.7 million, respectively. Depreciation and amortization related to property and equipment was \$5.2 million and \$7.6 million for the three and nine months ended September 30, 2022, respectively.

The increases in machinery and equipment and construction in progress primarily relate to the energy storage systems being constructed in Snyder, Texas and Calistoga, California.

NOTE 10. DEBT

In July 2023, the Company entered into a financing agreement related to premiums under certain insurance policies. The Company is obligated to repay the lender an aggregate sum of \$1.1 million through nine equal monthly payments, at an annual interest rate of 7.0%, commencing on July 15, 2023.

In September 2023, the Company entered into a financing agreement related to premiums under certain insurance policies. The Company is obligated to repay the lender an aggregate sum of \$0.2 million through four equal monthly payments, at an annual interest rate of 7.0%, commencing on September 15, 2023.

As of September 30, 2023, the carrying value of the Company’s insurance premium financings was \$0.9 million and are included in the line item, accrued expenses, in the condensed consolidated balance sheets.

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 11. SUPPLEMENTAL BALANCE SHEETS DETAIL

<i>(amounts in thousands)</i>	September 30, 2023	December 31, 2022
Other assets:		
Derivative asset — conversion option	\$ 1,025	\$ 1,025
Other	1,592	1,795
Total	<u>\$ 2,617</u>	<u>\$ 2,820</u>
Accrued expenses:		
Professional fees	\$ 3,409	\$ —
Accrued purchases	19,887	1,671
Employee costs	3,927	8,711
Taxes payable	4,833	4,168
Insurance premium financing	856	—
Warranty accrual	50	—
Other	—	199
Total	<u>\$ 32,962</u>	<u>\$ 14,749</u>
Lease liabilities, current portion:		
Operating leases	\$ 711	\$ 787
Finance leases	14	38
Total	<u>\$ 725</u>	<u>\$ 825</u>
Other long-term liabilities:		
Operating leases	\$ 447	\$ 709
Asset retirement obligation	196	560
Warranty accrual	80	—
Finance leases	20	16
Warrant liability	2	2
Total	<u>\$ 745</u>	<u>\$ 1,287</u>

NOTE 12. STOCKHOLDERS' EQUITY

On February 11, 2022, in connection with the reverse recapitalization treatment of the Merger, the Company effectively issued 27.6 million new shares of common stock. Additionally, as part of the Merger, the Company converted all 3.0 million issued and outstanding common stock and all 12.7 million issued and outstanding convertible preferred stock of Legacy Energy Vault into 106.2 million new shares of common stock using an exchange ratio of 6.7735.

NOTE 13. WARRANTS

Upon the Closing of the Merger, the Company assumed 9.6 million Public Warrants and 5.2 million Private Warrants. Each whole warrant entitled the holder to purchase one share of the Company's common stock at an exercise price of

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

\$11.50 per share, subject to adjustments. The warrants became exercisable on March 13, 2022, and at that time were scheduled to expire on February 11, 2027, which represents five years after the Closing.

The Company filed a Registration Statement on Form S-1 on March 8, 2022, related to the issuance of an aggregate of up to approximately 14.7 million shares of common stock issuable upon the exercise of the Public and Private Warrants, which was declared effective by the SEC on May 6, 2022.

All Public Warrants were exercised or redeemed during 2022. There were no Public Warrants outstanding as of September 30, 2023 and December 31, 2022.

There has not been any Private Warrant activity since the Closing of the Merger and there were 5.2 million Private Warrants outstanding as of September 30, 2023, December 31, 2022, and September 30, 2022.

The following table summarizes the Public Warrant activity for the three and nine months ended September 30, 2022 (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Number of Public Warrants at beginning of period	8,900	—
Warrants assumed upon Closing of Merger	—	9,583
Warrants exercised	(8,665)	(9,348)
Warrants redeemed	(235)	(235)
Number of Public Warrants at end of period	—	—

The Public Warrants were classified as Level 1 measurements from the Closing of the Merger through the date they were redeemed as the Public Warrants had an adequate trading volume to provide reliable indication of value. The Private Warrants were classified as Level 2 from the Closing of the Merger through the Public Warrant redemption date of August 1, 2022 because the Private Warrants had similar terms to the Public Warrants. Upon the ceasing of trading of the Public Warrants on August 1, 2022, the fair value measurement of the Private Warrants transferred from Level 2 to Level 3 and the Company uses a Black Scholes model to determine the fair value of the Private Warrants. The primary significant unobservable input used to evaluate the fair value measurement of the Company's Private Warrants is the expected volatility. A significant increase in the expected volatility in isolation would result in a significantly higher fair value measurement. The Private Warrants were valued at less than \$0.01 per warrant as of September 30, 2023. As of September 30, 2023 and December 31, 2022, the Company's warrant liability for its Private Warrants was \$2 thousand.

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

The following table presents the changes in the fair value of the Company's warrant liability for the three months and nine months ended September 30, 2022 (amounts in thousands):

	Three Months Ended September 30, 2022		
	Public Warrants	Private Warrants	Total Warrants
Warrant liability at beginning of period	\$ 13,439	\$ 8,060	\$ 21,499
Warrants exercised	(14,499)	—	(14,499)
Warrants redeemed	(23)	—	(23)
Change in fair value	1,083	(7,789)	(6,706)
Warrant liability at end of period	\$ —	\$ 271	\$ 271

	Nine Months Ended September 30, 2022		
	Public Warrants	Private Warrants	Total Warrants
Warrant liability at beginning of period	\$ —	\$ —	\$ —
Warrant liability assumed upon Closing of the Merger	12,938	6,900	19,838
Warrants exercised	(17,483)	—	(17,483)
Warrants redeemed	(23)	—	(23)
Change in fair value	4,568	(6,629)	(2,061)
Warrant liability at end of period	\$ —	\$ 271	\$ 271

NOTE 14. STOCK-BASED COMPENSATION

2017 Stock Incentive Plan

In 2017, the Company adopted its 2017 Stock Incentive Plan (the "2017 Plan") which provided for the granting of stock options, restricted stock, and RSUs to employees, directors, and consultants of the Company. Options granted under the 2017 Plan were either Incentive Stock Options ("ISOs") or Nonqualified Stock Options ("NSOs"). Awards under the 2017 Plan were granted for periods of up to ten years. Under the terms of the 2017 Plan, awards were granted at an exercise price not less than the estimated fair value of the shares on the date of grant, as determined by the Company's Board of Directors. For employees holding more than 10% of the voting rights of all classes of stock, the exercise price of ISOs and NSOs was not less than 110% of the estimated fair value of the shares on the date of grant, as determined by the board of directors. Awards generally vested over one to four years.

2020 Stock Incentive Plan

In 2020, the Company adopted its 2020 Stock Incentive Plan (the "2020 Plan"). The 2020 Plan provided for the granting of stock options, restricted stock, and RSUs to employees, directors, and consultants of the Company. Options granted under the 2020 Plan were either ISOs or NSOs. Awards under the 2020 Plan were granted for periods of up to ten years. Under the terms of the 2020 Plan, awards were granted at an exercise price not less than the estimated fair value of the shares on the date of grant, as determined by the Company's Board of Directors. For employees holding more than 10% of the voting rights of all classes of stock, the exercise price of ISOs and NSOs was not less than 110% of the estimated fair value of the shares on the date of grant, as determined by the board of directors. Awards generally vested over one to four years.

2022 Equity Incentive Plan

In 2022, the Company adopted its 2022 Equity Incentive Plan (the "2022 Plan"). The 2022 Plan provides for the granting of stock options, stock appreciation rights ("SARs"), restricted stock, and RSUs to employees, non-employee directors, and consultants of the Company. Shares of common stock underlying awards that expire or are forfeited or canceled will again be available for issuance under the 2022 Plan.

The initial number of shares of the Company's common stock reserved for issuance under the 2022 Plan was approximately 15.5 million, plus up to approximately 8.3 million shares subject to awards granted under the 2017 and 2020 Plans. Beginning on March 1, 2022 and ending on (and including) March 31, 2031, the number of shares of the Company's

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

common stock that may be issued under the 2022 Plan increases by a number of shares equal to the lesser of (i) 4.0% of the outstanding shares on the last day of the immediately preceding month or (ii) such lesser number of shares (including zero) that the Company's Board of Directors determines for the purposes of the annual increase for that fiscal year.

2022 Inducement Plan

In 2022, the Company adopted its 2022 Inducement Plan, which provides for the granting of stock options, SARs, restricted stock, and RSUs to individuals who were not previously employees of Energy Vault, or following a bona fide period of non-employment, as inducement material to such individuals entering into employment with Energy Vault. Shares of common stock underlying awards that expire or are forfeited or canceled will again be available for issuance under the 2022 Inducement Plan. 8.0 million shares of the Company's common stock are reserved for issuance under the 2022 Inducement Plan.

Stock Option Activity

Stock option activity for the nine months ended September 30, 2023 was as follows (in thousands, except per share data):

	Options Outstanding			
	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance as of December 31, 2022	1,093	\$ 0.79	8.10	\$ 2,551
Stock options granted	5,170	1.86	—	—
Stock options exercised	(277)	0.80	—	510
Stock options forfeited, canceled, or expired	(3)	0.80	—	—
Balance as of September 30, 2023	5,983	1.71	6.68	5,005
Options exercisable as of September 30, 2023	623	0.67	7.00	1,172
Options vested and expected to vest as of September 30, 2023	5,983	1.71	6.68	5,005

As of September 30, 2023, total unrecognized stock-based compensation expense related to unvested awards that are expected to vest was \$6.6 million. The weighted-average period over which such stock-based compensation expense will be recognized is approximately 2.56 years.

The aggregate intrinsic values of options outstanding, exercisable, vested and expected to vest were calculated as the difference between the exercise price of the options and the closing stock price of the Company's common stock on the NYSE as of September 30, 2023.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. The following table summarizes the assumptions used for estimating the fair value of the stock options granted during the nine months ended September 30, 2023:

Common stock price	\$1.86
Expected term (in years)	4.5
Expected volatility	100.0 %
Risk-free interest rate	3.9 %
Expected dividend yield	—

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

Restricted Stock Units

RSU activity for the nine months ended September 30, 2023 was as follows (in thousands, except per share data):

	Number of RSUs	Weighted Average Grant Date Fair Value per Share
Nonvested balance as of December 31, 2022	23,799	\$ 5.87
RSUs granted	6,017	2.58
RSUs forfeited	(624)	5.11
RSUs vested	(6,470)	7.38
Nonvested balance as of September 30, 2023	22,722	\$ 4.77

As of September 30, 2023, unrecognized stock-based compensation expense related to these RSUs was \$86.3 million which is expected to be recognized over the remaining weighted-average vesting period of approximately 2.40 years.

During the nine months ended September 30, 2023, the Company granted RSUs to its CFO that vest based on market conditions. These RSUs will vest and convert to common stock subject to the Company's stock price reaching certain price targets for 20 days in any 30 day trading window. The fair value of these RSUs will be recognized over the requisite service period regardless of whether or not the RSUs ultimately vest and convert to common stock. The fair value of these market-based RSUs were measured on the grant date using a Monte Carlo simulation model based on the following assumptions:

Common stock price	\$3.46
Expected term (in years)	4.0
Expected volatility	90.0 %
Risk-free interest rate	3.8 %
Expected dividend yield	—

Stock-Based Compensation Expense

Total stock-based compensation expense for the three and nine months ended September 30, 2023 and 2022 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Sales and marketing	\$ 1,801	\$ 2,146	\$ 5,477	\$ 3,038
Research and development	2,898	4,219	8,832	11,011
General and administrative	6,015	4,529	20,214	12,708
Total stock-based compensation expense	\$ 10,714	\$ 10,894	\$ 34,523	\$ 26,757

NOTE 15. INCOME TAXES

The Company recognized a tax benefit of \$0.4 million for the three and nine months ended September 30, 2023 and recognized a tax provision of \$0.2 million and \$0.4 million for the three and nine months ended September 30, 2022, respectively. The Company has recorded a valuation allowance against substantially all of the Company's net deferred tax assets. The Company provides for a valuation allowance when it is more likely than not that some portion of, or all of the Company's deferred tax assets will not be realized. Due to the Company's history of losses, the Company determined that it is not more likely than not to realize its deferred tax assets.

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 16. NET LOSS PER SHARE OF COMMON STOCK

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	\$ (18,942)	\$ (28,765)	\$ (76,271)	\$ (55,022)
Weighted-average shares outstanding – basic and diluted	143,867	140,302	142,052	118,560
Net loss per share – basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.21)</u>	<u>\$ (0.54)</u>	<u>\$ (0.46)</u>

There were no common share equivalents that were dilutive for the three and nine months ended September 30, 2023 and 2022. Due to net losses during those periods, basic and diluted net loss per common share were the same, as the effect of potentially dilutive securities would have been anti-dilutive.

The following outstanding balances of common share equivalent securities have been excluded from the calculation of diluted weighted-average common shares outstanding because the effect is anti-dilutive for the for the three and nine months ended September 30, 2023 and 2022 (amounts in thousands):

	Three and Nine Months Ended September 30,	
	2023	2022
Public and Private Warrants	5,167	5,167
Stock options	5,983	1,143
RSUs	22,722	14,485
Total	<u>33,872</u>	<u>20,795</u>

9.0 million shares of common stock equivalents subject to the Earn-Out Shares are excluded from the anti-dilutive table above as of September 30, 2023, as the underlying shares remain contingently issuable as the Earn-Out Triggering Events have not been satisfied.

NOTE 17. COMMITMENTS AND CONTINGENCIES

Our principal commitments as of September 30, 2023 consisted primarily of obligations under operating leases, finance leases, deferred pensions, and issued purchase orders. Our non-cancelable purchase obligations as of September 30, 2023 totaled approximately \$57.0 million.

In connection with one of the Company's licensing agreements, the Company agreed to make a refundable contribution to a customer in the amount up to \$25.0 million during the period in which the customer constructs its first GESS. As of September 30, 2023, the Company has contributed all \$25.0 million, which is included within the line item, contract assets, in the condensed consolidated balance sheets. The refundable contribution will be returned to the Company upon the customer's first GESS reaching substantial completion, subject to adjustment for potential liquidated damages if certain performance metrics are not met.

Other Commitments and Contingencies

Letters of Credit: In the ordinary course of business and under certain contracts, the Company is required to post letters of credit for its customers, insurance carriers, and surety bond providers for project performance, and for its vendors for payment guarantees. Such letters of credit are generally issued by a bank or a similar financial institution. The letter of credit commits the issuer to pay specified amounts to the holder of the letter of credit under certain conditions. As of September 30, 2023, there was \$79.7 million of letters of credit issued through the Company's credit relationships. The Company is not aware of any material claims relating to its outstanding letters of credit. The Company's restricted cash

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

balance of \$58.0 million as of September 30, 2023 primarily consists of cash held by banks as collateral for the Company's letters of credit.

Performance and Payment Bonds: In the ordinary course of business, Energy Vault is required by certain customers to provide performance and payment bonds for contractual commitments related to its projects. These bonds provide a guarantee that the Company will perform under the terms of a contract and that the Company will pay its subcontractors and vendors. If the Company fails to perform under a contract or to pay its subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. The Company must reimburse the surety for expenses or outlays it incurs. As of September 30, 2023, there were \$198.0 million outstanding performance and payment bonds.

Other Bonds: In the ordinary course of business, Energy Vault is required to obtain other bonds, such as for insurance and government payments. These bonds provide a guarantee that the Company will post the necessary reserves as required by banks and tax or licensing authorities. Additionally, bonds are issued to banks as support for letters of credit provided by those banks. As of September 30, 2023, there were \$28.8 million of outstanding other bonds.

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

The following discussion and analysis provide information which Energy Vault's management believes is relevant to an assessment and understanding of Energy Vault's consolidated results of operations and financial condition. The discussion should be read together with our unaudited interim condensed consolidated financial statements, the respective notes thereto, and other financial information included elsewhere in this Quarterly Report. The discussion and analysis should also be read together with the audited consolidated financial statements, the respective notes thereto, and other financial information included elsewhere in the Annual Report for the year ended December 31, 2022 filed by us with the SEC on April 13, 2023. This discussion may contain forward-looking statements based upon Energy Vault's current expectations that involve risks, uncertainties, and assumptions. Energy Vault's actual results may differ materially from those anticipated in these forward-looking statements. You should review the section titled "Cautionary Note Regarding Forward-Looking Statements" for a discussion of forward-looking statements and the section titled "Risk Factors," for a discussion of factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis and elsewhere in this Quarterly Report. Energy Vault's historical results are not necessarily indicative of the results that may be expected for any period in the future. Unless the context otherwise requires, all references in this Quarterly Report to "we," "our," "us," "the Company," or "Energy Vault" refer to Energy Vault Holdings, Inc., a Delaware corporation, and its subsidiaries both prior to the consummation of and following the Merger (as defined below).

Our Business

Energy Vault is a grid-scale energy storage company that is driving a faster transition to renewable power by solving the intermittence issues that are inherent to the most prevalent sources of renewable energy, solar and wind.

Our energy storage and software solutions allow utilities, independent power producers, and large energy users to manage their power portfolios. We provide turnkey energy storage solutions that meet the demands of the market for shorter duration with our battery energy storage systems ("BESS") and longer duration with our GESSs. In addition, our hybrid systems that incorporate other energy storage mediums, such as green hydrogen, address demand for extended duration energy storage. Our technology agnostic EMS platform, once fully functional, will orchestrate the management of one or more of our diverse storage mediums and the underlying generation assets to enable the delivery of power to our customers for their varied and multiple use cases.

Our solutions are designed to address the intermittency issues by storing energy produced when renewable energy production is active. Once stored in our storage solutions, energy can be discharged to the grid in a controlled and reliable manner at any time, regardless of the then current ability of the renewable sources to generate power. Our energy storage solutions are designed to accommodate a wide variety of renewable power sources and to achieve an attractive leveled cost of energy relative to fossil fuels. Collectively, these abilities greatly broaden the use cases and time duration scenarios that can be addressed by certain sources of renewable power.

The Company's portfolio of market-ready turnkey energy storage solutions currently includes:

- BESSs are our integrated solutions to meet shorter-duration storage needs.
- GESSs includes our proprietary EVx solution to meet longer-duration storage needs.
- Green hydrogen energy storage systems are our integrated solutions to meet extended duration storage needs.
- Hybrid energy storage systems are our integrated solutions which allow the pairing of various energy storage mediums to meet specific customer needs.
- Energy management software platform ("EMS") is our proprietary software offering designed by our Energy Vault Solutions division that orchestrates the management of one or more of our diverse storage mediums, along with the underlying generation assets to enable the delivery of power to our customers for their varied and multiple use cases.

Key Factors and Trends Affecting our Business

We believe that our performance and future success depend upon several factors that present significant opportunities for us, but also pose risks and challenges including those discussed below and in Part I, Item 1A. "Risk Factors" of our 2022 Annual Report on Form 10-K filed with the SEC on April 13, 2023.

Product Development and Deployment Plan

We leverage our sustainable and differentiated technology to provide our customers with an economical solution to meet their shorter, longer, and extended-duration renewable energy storage needs. We believe that the majority of our

competitors are primarily focused on the development and marketing of vertically siloed solutions based on a singular energy storage technology. We anticipate that our market will be characterized by high growth and rapidly evolving use cases and requirements. As a result, we have strategically chosen to design an agile and agnostic software platform that can orchestrate the management of one or more of our diverse storage mediums and the underlying power generation assets to harmonize asset operation and maximize economic return for our customers. This full spectrum of energy storage solutions assures our customers that we not only have what they need today, but that we also have what they will need in the future, thereby protecting their investments in our products. For these reasons, we believe we are well positioned to compete successfully in the evolving market for energy storage solutions.

Our project delivery generally relies on third-party engineering, procurement, and construction (“EPC”) firms to construct our storage systems, under our supervision with dedicated teams tasked with project management. Our current business model options include:

- Building, operating, and transferring energy storage projects to potential customers,
- Building, operating, and holding energy storage systems as equity (co-) sponsor that may provide recurring revenue in the future,
- Recurring software revenue through licensing software for asset management and use case applications,
- Recurring service revenue through long term service agreements, and
- Intellectual property licenses and royalties associated with our energy storage technologies that may provide recurring revenues in the future.

Our cost projections are heavily dependent upon raw materials (such as steel), equipment (such as motors, batteries, inverters, and power electronic devices) and technical and construction service providers (such as engineering, procurement, construction firms). The global supply chain, on which Energy Vault relies, has been significantly impacted by (i) the COVID-19 pandemic, (ii) economic uncertainties, including the war in Ukraine, and (iii) high inflation pressure on project budgeting resulting in potential significant delays and cost fluctuations, particularly with respect to microchips and many other raw materials that are within the motor and power electronic supply chains. These future timing and financial developments may impact Energy Vault’s performance from both a deployment and cost perspective.

To date, the only operating energy storage system that utilized Energy Vault’s technologies was the EV1 Tower in Lugano, Switzerland (the “CDU”), which served as a commercial demonstration unit for testing and software improvements until it was decommissioned in September 2022. Building on the experience with the CDU, the Company designed its EVx system. The EVx system is designed to be modular and flexible to address longer duration energy storage needs, such as when there are power outages or for powering industrial processes over long periods. There are no commercial installations of Energy Vault’s EVx system completed and operating at this time.

Energy Storage Industry

The growth of the energy storage market that we address is primarily driven by the decreasing cost of renewable power generation sources, government mandates, financial incentives to reduce CO2 emissions, and increasing geopolitical pressures driving energy independence goals. These dynamics are in turn driving demand for additional renewable power generation and increased capacity and storage duration in energy storage solutions.

According to a BloombergNEF analysis published in March 2023, demand for clean energy is growing rapidly, with renewable energy expected to supply nearly two-thirds of the world’s electricity demand by 2050. Global energy storage additions are on track to grow at a 23% compound annual growth rate through 2030, with annual additions reaching 278 GWhs. Both government mandates and companies focused on reducing energy use, cost, and emissions will propel the shift to renewable sources of power. We believe we are well-positioned to capitalize on this opportunity through our competitive pricing and scalability, and the environmentally friendly attributes of our energy storage solutions that cover the spectrum from shorter durations to extended durations.

During 2022, the United States Congress passed the IRA. The IRA provides incentives for the domestic manufacturing of key components of energy storage solutions as well as the construction of standalone energy storage projects. The resulting improved economics are expected to reduce the cost to implement storage within the domestic market and may amplify and accelerate the adoption of energy storage systems for shorter, longer, and extended duration use cases, like those offered by Energy Vault.

Our business depends on the acceptance of our energy storage products in the marketplace. Even if renewable energy and energy storage become more widely adopted than they have been to date, potential customers may choose energy storage products from our competitors.

Increasing Deployment of Renewable Energy

Deployment of renewable energy resources has accelerated over the last decade, and solar and wind have become a low cost energy source. Energy storage is critical to reducing the intermittency and volatility of renewable energy generation. However, there is no guarantee that the deployment of renewable energy will occur at the rate that is expected. Inflationary pressures, supply chain disruptions, geopolitical stresses, and other factors could result in fluctuations in demand for and deployment of renewable energy resources, adversely affecting our revenue and ability to generate profits in the future.

Competition

The market for our products is competitive, and we may face increased competition as new and existing competitors introduce energy storage solutions and components. Furthermore, as we expand our services and digital applications in the future, we may face other competitors including software providers and hardware manufacturers that offer software solutions. If our market share declines due to increased competition or if we are not able to compete as we expect, our revenue and ability to generate profits in the future may be adversely affected.

Inflation

In the markets in which we operate, there have been higher rates of inflation in recent years. If inflation continues to increase in our markets, it may increase our expenses that we may not be able to pass through to customers. It may also increase the costs of our products that could negatively impact their competitiveness.

The Merger

On February 11, 2022, Energy Vault, Inc. (“Legacy Energy Vault”) completed the merger with NCCII Merger Corp., with Legacy Energy Vault surviving as a wholly-owned subsidiary of Novus Capital Corporation II (“Novus”) (the “Merger”). Immediately following the completion of the Merger, Novus changed its name to Energy Vault Holdings, Inc. On February 14, 2022, Energy Vault’s common stock and warrants began trading on the New York Stock Exchange under the symbols “NRGV” and “NRGV WS,” respectively.

The Merger was accounted for as a reverse recapitalization in accordance with United States Generally Accepted Accounting Principles (“GAAP”). Under this method of accounting, Novus was treated as the “acquired” company for financial reporting purposes. Accordingly, for accounting purposes, the financial statements of the combined entity upon completion of the Merger represented a continuation of the financial statements of Legacy Energy Vault with the Merger being treated as the equivalent of Legacy Energy Vault issuing stock for the net assets of Novus, accompanied by a recapitalization. The net assets of Novus are stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the Merger are presented as those of Legacy Energy Vault in future reports of the combined entity. All periods prior to the Merger have been retroactively adjusted using the exchange ratio of 6.7735 (the “Exchange Ratio”) for the equivalent number of shares outstanding immediately after the Merger to effect the reverse recapitalization.

Energy Vault raised gross proceeds of \$235.9 million, including the contribution of \$40.9 million of cash, net of redemptions, held in Novus’ trust account from its initial public offering and an aggregate purchase price of \$195.0 million from the sale and issuance of shares of common stock in a private placement (“Private Investment in Public Equity” or “PIPE”) at \$10.00 per share. Energy Vault and Novus paid \$44.8 million in transaction costs, resulting in total net cash proceeds to Energy Vault from the Merger and PIPE of \$191.1 million. See Note 1 and Note 3, in Part I, Item 1. “Financial Statements” for additional information about the Merger.

Recent Developments

In May 2023, the Company signed a technology license option agreement with a company affiliated with a member of Energy Vault’s Board. The agreement permits the customer to exercise options to enter into licensing agreements in certain territories to use the Company’s gravity storage technology for a fee of \$0.5 million. The customer exercised its option for one of the territories on June 30, 2023 for a contracted value of \$41.5 million to be paid over a 10-year period.

In August 2023, the Company entered into a contract with a customer whereby Energy Vault will construct a 400 MWh BESS in the southwest U.S. Construction on the BESS is expected to begin in 2024.

Key Operating Metrics

Bookings

Bookings represents the total MWhs to be delivered and the aggregate contracted value for energy storage systems, tolling arrangements, and license and service agreements signed during the period. The aggregate contracted value excludes any potential future variable payments or royalties.

The following table presents bookings for the periods indicated (\$ in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
Bookings [MWh]	400	495	(95)	400	495	(95)
Bookings [\$]	\$ 137,385	\$ 206,794	\$ (69,409)	\$ 170,478	\$ 256,794	\$ (86,316)

Backlog

Backlog represents the amount of revenue we expect to realize in the future on uncompleted construction contracts, including new contracts under which work has not yet begun, as well as the remaining revenue to be recognized under the Company's intellectual property licensing agreements. As of September 30, 2023, backlog totaled \$255.5 million.

The Company generally expects to recognize 50% of the remaining performance obligations as revenue over the next twelve months and the remainder between thirteen and twenty-four months from September 30, 2023. Timing of revenue for construction and installation projects included in our backlog can be subject to change as a result of customer, regulatory, or other delays or cancellations including from economic or other conditions caused by supply chain disruptions, inflation, weather, and/or other project-related factors. These effects, among others, could cause estimated revenue to be realized in periods later than originally expected, or not at all. Customers may postpone or cancel construction projects due to changes in their spending plans, market volatility, changes in government permitting, regulatory delays, and/or other factors. There can be no assurance as to our customers' requirements or if actual results will be consistent with our estimates. As a result, our backlog as of any particular date is an uncertain indicator of future revenue and earnings.

Backlog is a common measurement used in our industry. Our methodology for determining backlog may not, however, be comparable to the methodologies used by others. The Company's backlog agrees with the amount of our remaining performance obligations, which are described in Note 4 - *Revenue Recognition*.

Key Components of Results of Operations

Revenue

To date, the Company has primarily generated revenue from licensing our GESS EVx solution and selling our BESSs. In the future, we anticipate generating revenue from the sale and licensing of the Company's energy storage solutions, EMS, additional software applications, and long-term services agreements, including pursuant to tolling arrangements in connection with energy storage systems that we intend to own and operate.

Our revenue is affected by changes in the price, volume, and mix of products and services purchased by our customers. These changes are driven by the demand for our products, the geographic mix of our customers, the strength of competitor's product offerings, and the availability of government incentives for the end-users of our products.

Our revenue growth is dependent on continued growth in the amount of energy storage systems constructed each year and our ability to increase our share of demand in the geographic regions where we currently compete and plan to compete in the future. Additionally, our revenue growth is dependent on our ability to continue to develop and commercialize new and innovative products on a cost effective basis to meet our customers' energy storage needs.

Cost of Revenue

Cost of revenue primarily consists of product costs, including purchased equipment and supplies, as well as costs related to subcontractors, direct labor, and consultants involved in constructing energy storage systems and providing construction support services as part of our licensing agreements. Additionally, cost of revenue includes expenses associated with letters of credit and performance bonds required for our BESS projects.

Our cost of revenue is affected by underlying costs for batteries, inverters, enclosures, cables, raw materials (including cement, steel, aluminum, and lithium), and the cost of subcontractors to provide construction services.

Gross Profit and Gross Profit Margin

Gross profit and gross profit margin may vary from period to period due to the timing of transferring control of significant uninstalled materials to customers under contracts to sell energy storage systems. When control of significant uninstalled materials is transferred to customers, the Company recognizes revenue in an amount equal to the cost of those materials. The profit margin inherent in these materials is deferred until the Company fulfills its obligation to install the materials during construction of the energy storage systems. As a result, gross profit and gross profit margin will vary from period to period depending on the timing of revenue recognition related to uninstalled materials.

Additionally, gross profit and gross profit margin may vary from period to period due to our sales volume, product prices, product costs, product mix, geographical mix, along with the timing of when we perform installation and construction services.

Sales and Marketing (“S&M”) Expenses

S&M expenses consist primarily of internal personnel-related costs for marketing, sales, and related support teams, as well as external costs such as professional service fees, trade shows, marketing and sales-related promotional materials, public relations expenses, website operating and maintenance costs. Personnel-related expenses include salaries, benefits, and stock-based compensation expenses. We expect our S&M expenses to increase over time as we hire additional personnel to support the overall growth of our business.

Research and Development (“R&D”) Expenses

R&D expenses consist primarily of internal and external expenses incurred in connection with our research activities and development programs that include materials costs directly related to product development, testing and evaluation costs, construction costs including labor and transportation of material, overhead related costs and other direct expenses consisting of personnel-related expenses and consulting expenses relating to study of product safety, reliability and development. Personnel-related expenses consist of salaries, benefits, and stock-based compensation expense. We expect our R&D costs to increase for the foreseeable future as we continue to invest in these activities to achieve our product design, engineering, and development roadmap.

General and Administrative (“G&A”) Expenses

G&A expenses consist of information technology expenses, legal and professional fees, travel costs, and personnel-related expenses for our corporate, executive, finance, and other administrative functions, including expenses for professional and contract services. Personnel-related expenses consist of salaries, benefits, and stock-based compensation expense. To a lesser extent, general and administrative expense includes investor relations costs, insurance costs, rent, office expenses, and maintenance costs. We expect our G&A expenses to increase in the foreseeable future as we hire personnel to meet the growth of our business, and as a result of operating as a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance requirements, investor relations fees, SOX 404 implementation fees, and other administrative and professional services.

Depreciation and Amortization Expense

Depreciation and amortization expense consists of costs associated with property and equipment, and amortization of intangibles. We expect to invest in additional property, equipment, and other assets as we construct and own energy storage systems, which will result in additional depreciation expense in the future.

Interest Income

Interest income consists of interest income from our money market funds, customer financing receivable, and convertible note receivable.

Change in Fair Value of Warrant Liability

The Company’s warrants are subject to fair value remeasurement at each balance sheet date. The Company expects to incur incremental income (expense) in the consolidated statements of operations for the fair value change for the outstanding warrant liabilities at the end of each reporting period or through the exercise of such warrants. With the completion of the redemption of Energy Vault’s public warrants on August 1, 2022, Energy Vault currently expects to incur incremental income (expense) in its consolidated statements of operations for the fair value change for outstanding warrant liabilities at the end of each reporting period in respect of outstanding private warrants.

Transaction Costs

Transaction costs consist of legal, accounting, banking fees, and other costs directly related to the consummation of the Merger and the PIPE.

Results of operations

Consolidated Comparison of Three and Nine Months Ended September 30, 2023 to September 30, 2022

The following table sets forth our results of operations for the periods indicated (amounts in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	\$ Change	2023	2022	\$ Change
Revenue	\$ 172,205	\$ 1,694	\$ 170,511	\$ 223,307	\$ 45,555	\$ 177,752
Cost of revenue	165,057	1,623	163,434	209,793	2,194	207,599
Gross profit	7,148	71	7,077	13,514	43,361	(29,847)
Operating Expenses:						
Sales and marketing	4,183	3,758	425	13,609	8,287	5,322
Research and development	8,156	11,655	(3,499)	29,552	28,769	783
General and administrative	15,810	12,878	2,932	52,222	33,258	18,964
Depreciation and amortization	235	5,158	(4,923)	670	7,562	(6,892)
Asset impairment	—	2,828	(2,828)	—	2,828	(2,828)
Loss from operations	(21,236)	(36,206)	14,970	(82,539)	(37,343)	(45,196)
Other income (expense):						
Interest expense	(18)	—	(18)	(19)	(1)	(18)
Interest income	1,919	1,024	895	6,149	1,356	4,793
Change in fair value of warrant liability	—	6,706	(6,706)	—	2,061	(2,061)
Transaction costs	—	—	—	—	(20,586)	20,586
Other expense, net	(8)	(104)	96	(259)	(151)	(108)
Loss before income taxes	\$ (19,343)	\$ (28,580)	\$ 9,237	\$ (76,668)	\$ (54,664)	\$ (22,004)

Revenue

The Company recognized revenue for the product and service categories as follows for the three and nine months ended September 30, 2023 and 2022.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Build and transfer energy storage products	\$ 171,935	\$ 1,153	\$ 222,739	\$ 1,153
Licensing of intellectual property	—	—	—	42,884
Other	270	541	568	1,518
Total revenue	\$ 172,205	\$ 1,694	\$ 223,307	\$ 45,555

Revenue for the three months ended September 30, 2023 increased by \$170.5 million to \$172.2 million compared to \$1.7 million for the three months ended September 30, 2022. Revenue for the nine months ended September 30, 2023 increased by \$177.8 million to \$223.3 million compared to \$45.6 million for the nine months ended September 30, 2022.

Revenue for the three and nine months ended September 30, 2023 primarily consisted of \$171.9 million and \$222.7 million in revenue, respectively, related to the building and transferring of energy storage products. This revenue was attributable to the Company's physical advancement on its BESS projects during the three and nine months ended September 30, 2023. Revenue from two customers accounted for 59% and 38% of total revenue, respectively, for the three months ended September 30, 2023 and revenue from three customers accounted for 47%, 33%, and 20% of total revenue, respectively, for the nine months ended September 30, 2023.

Revenue for the three months ended September 30, 2022 consisted of \$1.2 million in revenue attributable to the building and transferring of energy storage products and \$0.5 million in revenue attributable to the Company providing construction support services to an intellectual property licensing customer. Revenue for the nine months ended September 30, 2022 consisted of \$42.9 million in revenue attributable to licensing the Company's EVx intellectual property, \$1.5 million in revenue attributable to the Company providing construction support services to an intellectual property licensing customer, and \$1.2 million attributable to the building and transferring of energy storage products. Revenue associated with building and transferring energy storage products was attributable to the Company's physical advancement on its BESS projects. Revenue from two different customers accounted for 68% and 32% of total revenue, respectively for the three months

ended September 30, 2022 and revenue from one customer accounted for 97% of total revenue for the nine months ended September 30, 2022.

Cost of Revenue

Cost of revenue for the three months ended September 30, 2023 increased by \$163.4 million to \$165.1 million compared to \$1.6 million for the three months ended September 30, 2022. Cost of revenue for the nine months ended September 30, 2023 increased by \$207.6 million to \$209.8 million compared to \$2.2 million for the nine months ended September 30, 2022.

Cost of revenue for the three and nine months ended September 30, 2023 primarily consisted of construction costs associated with revenue recognized on BESS projects.

Cost of revenue for the three and nine months ended September 30, 2022 consisted of construction costs associated with revenue recognized on BESS projects and costs incurred to provide construction support services to an intellectual property licensing customer.

Gross Profit and Gross Profit Margin

Gross profit was \$7.1 million and \$13.5 million, respectively for the three and nine months ended September 30, 2023, and gross profit margin was 4.2% and 6.1%, respectively. Gross profit and gross profit margin for the three and nine months ended September 30, 2023 were primarily attributable to the advancement of physical progress on the Company's BESS projects.

Gross profit was \$0.1 million and \$43.4 million, respectively for the three and nine months ended September 30, 2022, and gross profit margin was 4.2% and 95.2%, respectively. Gross profit and gross profit margin for the three months ended September 30, 2022 were attributable to the advancement of physical progress on the Company's BESS projects and from the Company providing construction support services to an intellectual property licensing customer. Gross profit and gross profit margin for the nine months ended September 30, 2022 were primarily attributable to the Company's intellectual property licensing revenue, which did not have any associated cost of revenue.

S&M

S&M expenses increased by \$0.4 million to \$4.2 million for the three months ended September 30, 2023, compared to \$3.8 million for the three months ended September 30, 2022. The increase in S&M expenses was primarily attributable to an increase in personnel-related expenses of \$0.2 million and an increase in consulting expenses of \$0.1 million. The increase in personnel costs was due to expanded headcount.

S&M expenses increased by \$5.3 million to \$13.6 million for the nine months ended September 30, 2023, compared to \$8.3 million for the nine months ended September 30, 2022. The increase in S&M expenses was primarily attributable to an increase in personnel-related expenses of \$5.4 million. The increase in personnel costs was due to expanded headcount and increased stock-based compensation expense. Stock-based compensation expense was \$5.5 million for the nine months ended September 30, 2023, compared to \$3.0 million for the nine months ended September 30, 2022. Additionally, consulting expenses increased by \$0.4 million and travel expenses increased by \$0.2 million during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. These increases in costs were partially offset by a \$0.8 million decrease in marketing and public relation costs.

R&D

R&D expenses decreased by \$3.5 million to \$8.2 million for the three months ended September 30, 2023, compared to \$11.7 million for the three months ended September 30, 2022. The decrease in R&D expenses was primarily attributable to a \$1.5 million decrease in engineering costs, a \$1.1 million decrease in personnel-related expenses due to a decrease in stock-based compensation, and a \$0.8 million decrease in consulting expenses.

R&D expenses increased by \$0.8 million to \$29.6 million for the nine months ended September 30, 2023, compared to \$28.8 million for the nine months ended September 30, 2022. The increase in research and development expenses was primarily attributable to a \$2.2 million increase in personnel-related expenses due to expanded headcount. Partially offsetting this increased expense was a \$0.8 million decrease in engineering costs and a \$0.5 million decrease in consulting expenses.

G&A

G&A expenses increased by \$2.9 million to \$15.8 million for the three months ended September 30, 2023 compared to \$12.9 million for the three months ended September 30, 2022. The increase in G&A expenses was primarily attributable to a \$2.7 million increase in personnel-related expenses, a \$0.4 million increase in software expenses, and a \$0.4 million increase in insurance costs. The increase in personnel costs was due to expanded headcount and increased stock-based

compensation. Stock-based compensation was \$6.0 million for the three months ended September 30, 2023, compared to \$4.5 million for the three months ended September 30, 2022. Partially offsetting these increased expenses was a \$0.8 million decrease in legal and professional fees.

G&A expenses increased by \$19.0 million to \$52.2 million for the nine months ended September 30, 2023 compared to \$33.3 million for the nine months ended September 30, 2022. The increase in G&A expenses was primarily attributable to a \$15.3 million increase in personnel-related expenses, a \$1.1 million increase in software expenses, a \$1.0 million increase in insurance costs, a \$0.7 million increase in consulting expenses, a \$0.2 million increase in the provision for credit losses, and a \$0.2 million increase in operating and short-term lease costs. The increase in personnel costs was due to expanded headcount and increased stock-based compensation. Stock-based compensation was \$20.2 million for the nine months ended September 30, 2023, compared to \$12.7 million for the nine months ended September 30, 2022.

Depreciation and Amortization

Depreciation and amortization expense decreased by \$4.9 million to \$0.2 million for the three months ended September 30, 2023, compared to \$5.2 million for the three months ended September 30, 2022. Depreciation and amortization expense decreased by \$6.9 million to \$0.7 million for the nine months ended September 30, 2023, compared to \$7.6 million for the nine months ended September 30, 2022. These decreases were primarily due to the decommissioning of the CDU in 2022, resulting in no comparable depreciation expense in 2023 as the CDU had become fully depreciated by December 31, 2022.

Interest income

Interest income increased by \$0.9 million to \$1.9 million for the three months ended September 30, 2023 compared to \$1.0 million for the three months ended September 30, 2022. Interest income increased by \$4.8 million to \$6.1 million for the nine months ended September 30, 2023 compared to \$1.4 million for the nine months ended September 30, 2022. The increase in interest income is primarily due to an increase in interest income from our money market funds.

Change in fair value of warrant liability

There was no change in the fair value of the Company's warrant liability for the three and nine months ended September 30, 2023 compared to gains of \$6.7 million and a \$2.1 million for the three and nine months ended September 30, 2022, respectively. The Company only had private warrants outstanding during the three and nine months ended September 30, 2023, compared to having both public and private warrants outstanding during the three and nine months ended September 30, 2022.

Transaction costs

The Company did not recognize any transaction costs during the three and nine months ended September 30, 2023, nor during the three months ended September 30, 2022. The Company recognized transaction costs of \$20.6 million related to the consummation of the Merger during the nine months ended September 30, 2022.

Liquidity and Capital Resources

Sources of Liquidity

Since inception, we have financed our net cash used in operating and investing activities primarily through the issuance and sale of equity and the proceeds from the Merger and the PIPE. Our cash equivalents are highly liquid investments purchased with an original or remaining maturities of three months or less. Substantially all of our restricted cash balance is held by banks as collateral for the Company's letters of credit.

The following table summarizes our cash, cash equivalents, and restricted cash balances as of September 30, 2023 and December 31, 2022 (amounts in thousands):

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 74,236	\$ 203,037
Restricted cash	57,986	83,145
Total cash, cash equivalents, and restricted cash	<u>\$ 132,222</u>	<u>\$ 286,182</u>

Short-Term Liquidity

Management believes that its cash, cash equivalents, and restricted cash on hand as of September 30, 2023 will be sufficient to fund our operating activities for at least the next twelve months without regard to any cash proceeds we may receive in the future upon the exercise of our private warrants. The exercise price for any of our private warrants is \$11.50 per warrant, subject to certain specified adjustments. To the extent that the price of our common stock exceeds \$11.50 per

share, it is more likely that our private warrant holders will exercise their warrants. To the extent that the price of our common stock declines, including a decline below \$11.50 per share, it is less likely that our private warrant holders will exercise their warrants.

In addition, should Energy Vault enter into definitive collaboration and/or joint venture agreements or engage in business combinations in the future, we may be required to seek additional financing.

Energy Vault has incurred negative operating cash flows and operating losses in the past. We may continue to incur operating losses in the future due to our ongoing research and development activities. We may seek additional capital through equity and/or debt financings depending on market conditions. If we are required to raise additional funds by issuing equity securities, dilution to stockholders would result. Any equity securities issued may also provide for rights, preferences or privileges senior to those of holders of our common stock. If we raise funds by issuing debt securities, these debt securities would have rights, preferences and privileges senior to those of holders of common stock. The terms of debt securities or borrowings could impose significant restrictions on our operations. The credit market and financial services industry have in the past, and may in the future, experience periods of uncertainty that could impact the availability and cost of equity and debt financing.

Licensing Agreements with Extended Payment Terms

The Company has licensed its gravity storage technology and certain of these agreements contain extended payment terms. Expected cash inflows from licensing agreements with extended payment terms as of September 30, 2023 were as follows (amounts in thousands):

	Amount
Remainder of 2023	\$ 100
2024	5,000
2025	8,250
2026	6,250
2027	6,750
Thereafter	33,750
Total	<u>\$ 60,100</u>

Contractual Obligations

Our principal commitments as of September 30, 2023 consisted primarily of obligations under operating leases, finance leases, deferred pensions, and issued purchase orders. Our non-cancellable purchase obligations as of September 30, 2023 totaled approximately \$57.0 million.

Cash Flows

The following table summarizes cash flows from operating, investing, and financing activities for the periods indicated (amounts in thousands):

	Nine Months Ended September 30,	
	2023	2022
Net cash used in operating activities	\$ (116,050)	\$ (47,795)
Net cash used in investing activities	(33,182)	(2,679)
Net cash provided by (used in) financing activities	(4,655)	220,207
Effects of exchange rate changes on cash	(73)	(123)
Net increase (decrease) in cash	<u>\$ (153,960)</u>	<u>\$ 169,610</u>

Operating Activities

During the nine months ended September 30, 2023 and 2022, cash used in operating activities totaled \$116.1 million and \$47.8 million, respectively. During the nine months ended September 30, 2023, cash used in operating activities was negatively impacted by a net loss of \$76.3 million, an increase in operating assets of \$2.9 million, and a decrease in operating liabilities of \$71.3 million. The increase in operating assets was primarily due to a \$36.8 million increase in contract assets, partially offset by a \$21.7 million decrease in advances to suppliers and a \$10.6 million decrease in accounts receivable. The increase in contract assets primarily relates to unbilled receivables on the Company's BESS projects. Advances to suppliers decreased during the period as the Company received the BESS equipment that related to

the deposits, and accounts receivable decreased due to the timing of billings and cash collections. The decrease in operating liabilities was primarily due to a \$44.8 million decrease in deferred revenue and a \$25.8 million decrease in accounts payable and accrued expenses. The decrease in deferred revenue primarily resulted from recognizing revenue associated with the beginning deferred revenue balance on the Company's BESS projects. Operating cash flows were positively impacted by non-cash charges of \$34.5 million, which was primarily attributable to \$34.5 million in stock-based compensation expense.

During the nine months ended September 30, 2022, cash used in operating activities of \$47.8 million was negatively impacted by a net loss of \$55.0 million and an increase in operating assets of \$55.2 million. The change in operating assets was primarily due to a \$24.7 million increase in contract assets, a \$22.8 million increase in accounts receivable, and a \$7.7 million increase in prepaid expenses and other current assets. Operating cash flows were positively impacted by non-cash charges of \$35.0 million and a \$27.5 million increase in operating liabilities. The non-cash charges primarily consisted of stock-based compensation expense of \$26.8 million, depreciation and amortization of \$7.6 million and asset impairments of \$2.8 million. The increase in operating liabilities primarily consisted of a \$27.5 million increase in contract liabilities.

Investing Activities

During the nine months ended September 30, 2023 and 2022, cash used in investing activities totaled \$33.2 million and \$2.7 million, respectively. Cash used in investing activities for the nine months ended September 30, 2023 consisted of \$27.2 million for the purchase of property and equipment, primarily related to the energy storage systems being constructed in Snyder, Texas and Calistoga, California, and \$6.0 million for the purchase of equity securities in KORE Power, a U.S. manufacturer of battery cells and modules.

Cash used in investing activities for the nine months ended September 30, 2022 consisted of \$2.0 million for the purchase of a convertible note from DG Fuels and \$0.7 million for the purchase of property and equipment.

Financing Activities

During the nine months ended September 30, 2023, cash used in financing activities totaled \$4.7 million, compared to cash provided by financing activities of \$220.2 million for the nine months ended September 30, 2022. For the nine months ended September 30, 2023, cash used in financing activities was primarily due to \$5.7 million in tax payments related to the net settlement of equity awards and \$0.4 million in repayments on insurance premium financings. Partially offsetting these uses of cash was \$1.3 million in proceeds from insurance premium financings and \$0.2 million in cash proceeds from the exercise of stock options.

During the nine months ended September 30, 2022, cash provided by financing activities was primarily attributable to \$235.9 million in proceeds from the reverse recapitalization and PIPE financing, net and \$7.9 million in proceeds from the exercise of Public Warrants. Partially offsetting these cash inflows was \$20.7 million in transaction cost payments related to the reverse recapitalization and \$3.0 million in tax payments related to the net settlement of equity awards.

Non-GAAP Financial Measure

To complement our condensed consolidated statements of operations, we use non-GAAP financial measures of adjusted S&M expenses, adjusted R&D expenses, adjusted G&A expenses, and adjusted EBITDA. Management believes that these non-GAAP financial measures complement our GAAP amounts and such measures are useful to securities analysts and investors to evaluate our ongoing results of operations when considered alongside our GAAP measures. The presentation of these non-GAAP measures is not meant to be considered in isolation or as an alternative to net loss as an indicator of our performance.

The following table provides a reconciliation from GAAP S&M expenses to non-GAAP adjusted S&M expenses (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
S&M expenses (GAAP)	\$ 4,183	\$ 3,758	\$ 13,609	\$ 8,287
Non-GAAP adjustment:				
Stock-based compensation expense	1,801	2,146	5,477	3,038
Adjusted S&M expenses (non-GAAP)	<u>\$ 2,382</u>	<u>\$ 1,612</u>	<u>\$ 8,132</u>	<u>\$ 5,249</u>

The following table provides a reconciliation from GAAP R&D expenses to non-GAAP adjusted R&D expenses (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
R&D expenses (GAAP)	\$ 8,156	\$ 11,655	\$ 29,552	\$ 28,769
Non-GAAP adjustment:				
Stock-based compensation expense	2,898	4,219	8,832	11,011
Adjusted R&D expenses (non-GAAP)	<u>\$ 5,258</u>	<u>\$ 7,436</u>	<u>\$ 20,720</u>	<u>\$ 17,758</u>

The following table provides a reconciliation from GAAP G&A expenses to non-GAAP adjusted G&A expenses (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
G&A expenses (GAAP)	\$ 15,810	\$ 12,878	\$ 52,222	\$ 33,258
Non-GAAP adjustment:				
Stock-based compensation expense	6,015	4,529	20,214	12,708
Adjusted G&A expenses (non-GAAP)	<u>\$ 9,795</u>	<u>\$ 8,349</u>	<u>\$ 32,008</u>	<u>\$ 20,550</u>

The following table provides a reconciliation from net loss to non-GAAP adjusted EBITDA, with net loss being the most directly comparable GAAP measure (amounts in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss (GAAP)	\$ (18,942)	\$ (28,765)	\$ (76,271)	\$ (55,022)
Non-GAAP adjustments:				
Interest income, net	(1,902)	(1,024)	(6,131)	(1,355)
Income tax expense (benefit)	(401)	185	(397)	358
Depreciation and amortization	235	5,158	670	7,562
Stock-based compensation expense	10,714	10,894	34,523	26,757
Change in fair value of warrant liability	—	(6,706)	—	(2,061)
Transaction costs	—	—	—	20,586
Asset impairment	—	2,828	—	2,828
Foreign exchange (gains) and losses	50	219	308	163
Adjusted EBITDA (non-GAAP)	<u>\$ (10,246)</u>	<u>\$ (17,211)</u>	<u>\$ (47,298)</u>	<u>\$ (184)</u>

We present adjusted EBITDA, which is net loss excluding adjustments that are outlined in the quantitative reconciliation provided above, as a supplemental measure of our performance and because we believe this measure is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. The adjusted EBITDA measure excludes the financial impact of items management does not consider in assessing our ongoing operating performance, and thereby facilitates review of our operating performance on a period-to-period basis.

In evaluating adjusted EBITDA, one should be aware that in the future we may incur expenses similar to the adjustments noted above. Our presentation of adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these types of adjustments. Adjusted EBITDA is not a measurement of our financial performance under GAAP and should not be considered as an alternative to net loss, operating loss, or any other performance measures derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of our liquidity.

Our adjusted EBITDA measure has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- it does not reflect our cash expenditures, future requirements for capital expenditures, or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;

- it does not reflect stock-based compensation, which is an ongoing expense;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and our adjusted EBITDA measure does not reflect any cash requirements for such replacements;
- it is not adjusted for all non-cash income or expense items that are reflected in our condensed consolidated statements of cash flows;
- it does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations;
- it does not reflect limitations on or costs related to transferring earnings from our subsidiaries to us; and
- other companies in our industry may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to use to meet our obligations. You should compensate for these limitations by relying primarily on our GAAP results and using adjusted EBITDA only supplementally.

Off-Balance Sheet Commitments and Arrangements

The Company has not entered into off-balance sheet arrangements, as defined in the rules and regulations of the SEC as of September 30, 2023.

Critical Accounting Policies and Use of Estimates

Our consolidated financial statements are prepared in conformity with Generally Accepted Accounting Principles in the United States (“GAAP”). In preparing our financial statements, we make assumptions, judgments, and estimates based on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates under different assumptions and conditions.

Other than the policies described in Note 2 - *Summary of Significant Accounting Policies* in the Company’s unaudited interim condensed consolidated financial statements included elsewhere in this Quarterly Report, there have been no changes to the Company’s significant accounting policies as compared to those disclosed in the notes to our audited consolidated financial statements as of and for the year ended December 31, 2022 included in the 2022 Annual Report of Form 10-K filed with the SEC on April 13, 2023. There have been no changes to our critical accounting policies and estimates as compared to those disclosed under the caption *Critical Accounting Policies and Use of Estimates* in Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations included in the 2022 Annual Report of Form 10-K filed with the SEC on April 13, 2023.

Emerging Growth Company Accounting Election

We are an “emerging growth company” as defined in Section 2(a) of the Securities Act of 1933, as amended, and have irrevocably elected to take advantage of the benefits of this extended transition period for new or revised standard. We are expected to remain an emerging growth company through the end of 2023 and expect to continue to take advantage of the benefits of the extended transition period. This may make it difficult or impossible to compare our financial results with the financial results of another public company that is either not an emerging growth company or is an emerging growth company that has chosen not to take advantage of the extended transition period exemptions for emerging growth companies because of the potential differences in accounting standards used.

Recently Adopted and Issued Accounting Pronouncements

Recently issued and adopted/unadopted accounting pronouncements are described in Note 2 of the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position because of adverse changes in financial market prices and rates.

Foreign Currency Risk

Nearly all of our letters of intent are denominated in U.S. dollars, and certain of our definitive agreements could be denominated in currencies other than the U.S. dollar, including the Euro, the Australian dollar, the Brazilian real, and the

Saudi riyal. A strengthening of the U.S. dollar could increase the cost of our solutions to our international customers, which could adversely affect our business and results of operations. In addition, an increasing portion of our operating expenses is incurred outside the United States, is denominated in foreign currencies, such as the euro and the Swiss franc, and is subject to fluctuations due to changes in foreign currency exchange rates. If we become more exposed to currency fluctuations and are not able to successfully hedge against the risks associated with currency fluctuations, our results of operations could be adversely affected.

Inflation Risk

Our operations could be adversely impacted by inflation, primarily from higher material, labor, and construction costs. While it is difficult to measure the impact of inflation for such estimates accurately, we believe, if our costs are affected due to significant inflationary pressures, we may not be able to fully offset higher costs through price increases or other corrective measures, which may adversely affect our business, financial condition, and results of operations.

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a loss to us. Our customers include the counterparties for the sale of our energy storage systems or the licensees of our intellectual property. A loss of one or more of our significant customers, their inability to perform under their contracts, or their default in payment could harm our business and negatively impact revenue, results of operations, and cash flows.

Commodity Price Risk

We are subject to risk from fluctuating market prices of certain commodity raw materials, including cement, steel, aluminum, and lithium, that are used in the components from suppliers that are inputs into our products. Prices of these raw materials may be affected by supply restrictions or other logistic costs market factors from time to time. As we are not the direct buyer of these raw materials, we do not enter into hedging arrangements to mitigate commodity risk.

Significant price changes for these raw materials could reduce our operating margins if suppliers increase component prices and we are unable to recover such increases from our customers and could harm our business, financial condition, and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As part of the filing of this Form 10-Q for the period ended September 30, 2023, our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). As a result of this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective due to the material weakness described below.

Previously Reported Material Weakness

As disclosed in our 2022 Annual Report on Form 10-K filed with the SEC on April 13, 2023, the Company previously identified a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

The material weakness identified in our internal control over financial reporting related to the recognition of revenue from certain licensing contracts. Specifically, in connection with one of our licensing contracts, we did not implement effective background check controls for an international customers’ ability to pay in order to properly assess the probability that we will collect substantially all of the consideration to which we are entitled.

Remediation Plans

Management implemented its plan to remediate the material weakness described above by further developing and implementing formal policies, processes, and documentation procedures relating to financial reporting. We believe the steps taken to date will improve the effectiveness of our internal control over financial reporting, although we have not yet

completed all remediation efforts since the applicable controls have not operated for a sufficient period of time. The material weakness cannot be considered remediated until applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

We are taking actions to remediate the material weakness relating to our internal control over financial reporting, as described above. Except as otherwise described herein, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

The effectiveness of any system of disclosure controls and procedures and internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable assurance, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting for future periods. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected.

Part II-Other Information

Item 1. Legal Proceedings

Energy Vault has been and continues to be involved in legal proceedings that arise in the ordinary course of business, the outcome of which, if determined adversely to Energy Vault, would not individually or in the aggregate have a material adverse effect on Energy Vault's business, financial condition, and results of operations. From time to time, Energy Vault may become involved in additional legal proceedings arising in the ordinary course of its business.

Item 1A. Risk Factors

The following discussion supplements the discussion of risk factors affecting us as set forth in Part I, Item 1A Risk Factors, of the Company's 2022 Annual Report on Form 10-K filed with the SEC on April 13, 2023. The discussion of risk factors, as so supplemented, provides a description of some of the important risk factors that could affect our actual results and could cause our results to vary materially from those expressed in public statements or documents. However, other factors besides those included in the discussion of risk factors, as so supplemented, or discussed elsewhere in other of our reports filed with or furnished to the SEC could affect our business or results.

Unfavorable U.S. economic conditions as a result of multiple global events, including increasing interest rates and general economic downturns, could adversely affect our ability to raise capital and our business, results of operations and financial condition.

There is ongoing uncertainty regarding the federal budget and federal spending levels, including the possible impacts of a failure to increase the "debt ceiling" or a government shutdown. Any U.S. government default on its debt or government shutdown could have broad macroeconomic effects that could, among other things, disrupt access to capital markets and deepen recessionary conditions. Further, as of September 30, 2023, we had cash and cash equivalents of approximately \$53.5 million that consisted of government money market funds. Any default by the U.S. government or credit downgrade of the securities we hold could impact the liquidity or valuation of our government money market funds.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Company Purchases of Equity Interests

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description of Document	Incorporated by Reference			
		Schedule/Form	File Number	Exhibit Number	Filing Date
3.1	Amended and Restated Bylaws of Energy Vault Holdings, Inc.	8-K	001-39982	3.1	February 14, 2022
3.2	Amended and Restated Certificate of Incorporation of Energy Vault Holdings, Inc.	8-K	001-39982	3.2	February 14, 2022
31.1**	Certification of Principal Executive Officer required under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended				
31.2**	Certification of Chief Financial Officer required under Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended				
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 Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS**	XBRL Instance Document				
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document				
101.SCH**	XBRL Taxonomy Extension Schema Document				
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB**	XBRL Taxonomy Extension Labels Linkbase Document				
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document				
104**	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)				

Indicates management contract or compensatory plan or arrangement.

** Filed herewith

^ The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filings of Energy Vault Holdings, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

Energy Vault Holdings, Inc.

Date: November 7, 2023

By: /s/ Robert Piconi
Name: Robert Piconi
Title: Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2023

By: /s/ Jan Kees van Gaalen
Name: Jan Kees van Gaalen
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF CHIEF 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**

I, Robert Piconi, certify that:

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

Date: November 7, 2023

Signature: /s/ Robert Piconi
 Title: Co-Founder and Chief Executive Officer
 (Principal Executive Officer)

**CERTIFICATION OF CHIEF 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**

I, Jan Kees van Gaalen, certify that:

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

Date: November 7, 2023

Signature: /s/ Jan Kees van Gaalen
 Title: Chief Financial Officer
 (Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Piconi, Chief Executive Officer of Energy Vault Holdings, Inc. (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. This Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended September 30, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company, at the dates and for the periods presented in the financial statements included in this Report.

Date: November 7, 2023

Signature: /s/ Robert Piconi
Title: Co-Founder and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Jan Kees van Gaalen, Chief Financial Officer of Energy Vault Holdings, Inc. (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. This Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2023 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company, at the dates and for the periods presented in the financial statements included in this Report.

Date: November 7, 2023

Signature: /s/ Jan Kees van Gaalen
Title: Chief Financial Officer
(Principal Financial Officer)