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 March 31, 2024

OR

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

For the transition period from _____ to _____

Commission file 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 148,850,450, shares of common stock, par value $0.0001 per share, outstanding as of May 3, 2024.

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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 or in other locations, including our corporate website, 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, we note that standards and expectations regarding greenhouse gas ("GHG") accounting and the process for measuring and counting GHG emissions and GHG emissions reductions are evolving, and it is possible that our approaches both to measuring our emissions and any reductions may be at some point, either currently or in the future, considered not in keeping with best practices. In addition, our disclosures based on any standards may change due to revisions in framework requirements, availability or quality 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. Any forward-looking statements only speak as of the date of this document, and we undertake no obligation to update any forward-looking information or statements, whether written or oral, to reflect any change, except as required by law. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Part I-Financial Information

Item 1. Financial Statements

ENERGY VAULT HOLDINGS, INC.

Condensed Consolidated Balance Sheets
(Unaudited)
(In thousands except par value)

	March 31, 2024	December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 135,773	$ 109,923
Restricted cash	1,011	35,632
Accounts receivable, net of allowance for credit losses of $23 and $69 as of March 31, 2024 and December 31, 2023, respectively	1,335	27,189
Contract assets, net of allowance for credit losses of $1,041 and $1,113 as of March 31, 2024 and December 31, 2023, respectively	51,328	84,873
Inventory	415	415
Customer financing receivable, current portion, net of allowance for credit losses of $375 and $375 as of March 31, 2024 and December 31, 2023, respectively	2,625	2,625
Advances to suppliers	5,307	8,294
Assets held for sale	6,281	6,111
Prepaid expenses and other current assets	3,618	4,520
Total current assets	207,693	279,582
Property and equipment, net	47,440	31,043
Intangible assets, net	2,491	1,786
Operating lease right-of-use assets	1,436	1,700
Customer financing receivable, long-term portion, net of allowance for credit losses of $986 and $957 as of March 31, 2024 and December 31, 2023, respectively	6,899	6,698
Investments	17,365	17,295
Other assets	2,541	2,649
Total Assets	**$ 285,865**	**$ 340,753**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 52,564	$ 21,165
Accrued expenses	15,353	85,042
Contract liabilities, current portion	1,495	4,923
Lease liabilities, current portion	427	724
Total current liabilities	69,839	111,854
Deferred pension obligation	1,629	1,491
Contract liabilities, long-term portion	—	1,500
Other long-term liabilities	2,138	2,115
Total liabilities	73,606	116,960
Commitments and contingencies		
Stockholders' Equity		
Preferred stock, $0.0001 par value; 5,000 shares authorized, none issued	—	—
Common stock, $0.0001 par value; 500,000 shares authorized, 147,868 and 146,577 issued and outstanding at March 31, 2024 and December 31, 2023, respectively	15	15
Additional paid-in capital	482,955	473,271
Accumulated deficit	(269,211)	(248,072)
Accumulated other comprehensive loss	(1,500)	(1,421)
Total stockholders' equity	212,259	223,793
Total Liabilities and Stockholders' Equity	**$ 285,865**	**$ 340,753**

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 March 31,	
	2024	2023
Revenue	$ 7,759	$ 11,422
Cost of revenue	5,691	9,003
Gross profit	2,068	2,419
Operating expenses:		
Sales and marketing	4,170	4,574
Research and development	6,966	11,178
General and administrative	15,264	19,400
Depreciation and amortization	295	209
Loss from operations	(24,627)	(32,942)
Other income (expense):		
Interest expense	(8)	(1)
Interest income	1,826	1,935
Other income (expense), net	1,670	(159)
Loss before income taxes	(21,139)	(31,167)
Provision for income taxes	—	—
Net loss	$ (21,139)	$ (31,167)
Net loss per share — basic and diluted	$ (0.14)	$ (0.22)
Weighted average shares outstanding — basic and diluted	147,019	139,669
Other comprehensive income (loss) — net of tax		
Actuarial (loss) gain on pension	$ (231)	$ 164
Foreign currency translation gain	152	121
Total other comprehensive (loss) income	(79)	285
Total comprehensive loss	$ (21,218)	$ (30,882)

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

ENERGY VAULT HOLDINGS, INC.

Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands)

	Three Months Ended March 31, 2024					
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2023	146,577	$ 15	$ 473,271	$ (248,072)	$ (1,421)	$ 223,793
Stock based compensation	—	—	9,684	—	—	9,684
Vesting of restricted stock units ("RSUs"), net of shares withheld for payroll taxes	1,291	—	—	—	—	—
Net loss	—	—	—	(21,139)	—	(21,139)
Actuarial loss on pension	—	—	—	—	(231)	(231)
Foreign currency translation gain	—	—	—	—	152	152
Balance at March 31, 2024	147,868	$ 15	$ 482,955	$ (269,211)	$ (1,500)	$ 212,259

	Three Months Ended March 31, 2023					
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount				
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	43	—	35	—	—	35
Stock based compensation	—	—	13,716	—	—	13,716
Vesting of RSUs, net of shares withheld for payroll taxes	2,819	—	(3,733)	—	—	(3,733)
Net loss	—	—	—	(31,167)	—	(31,167)
Actuarial gain on pension	—	—	—	—	164	164
Foreign currency translation gain	—	—	—	—	121	121
Balance at March 31, 2023	141,392	$ 14	$ 445,870	$ (180,796)	$ (603)	$ 264,485

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)

	Three Months Ended March 31,	
	2024	**2023**
Cash Flows From Operating Activities		
Net loss	$ (21,139)	$ (31,167)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	295	209
Non-cash interest income	(375)	(334)
Stock based compensation	9,684	13,716
Benefit for credit losses	(89)	(14)
Foreign exchange losses	60	170
Change in operating assets	59,725	(35,504)
Change in operating liabilities	(47,214)	(17,848)
Net cash provided by (used in) operating activities	947	(70,772)
Cash Flows From Investing Activities		
Purchase of property and equipment	(8,598)	(11,635)
Purchase of property and equipment held for sale	(170)	—
Purchase of equity securities	—	(6,000)
Net cash used in investing activities	(8,768)	(17,635)
Cash Flows From Financing Activities		
Proceeds from exercise of stock options	—	35
Repayment of insurance premium financings	(358)	—
Payment of taxes related to net settlement of equity awards	(297)	(800)
Payment of finance lease obligations	(23)	(10)
Net cash used in financing activities	(678)	(775)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(272)	(27)
Net decrease in cash, cash equivalents, and restricted cash	(8,771)	(89,209)
Cash, cash equivalents, and restricted cash – beginning of the period	145,555	286,182
Cash, cash equivalents, and restricted cash – end of the period	136,784	196,973
Less: Restricted cash at end of period	1,011	82,417
Cash and cash equivalents - end of period	$ 135,773	$ 114,556
Supplemental Disclosures of Cash Flow Information:		
Income taxes paid	$ —	$ —
Cash paid for interest	8	1
Supplemental Disclosures of Non-Cash Investing and Financing Information:		
Actuarial (loss) gain on pension	(231)	164
Property and equipment financed through accounts payable and accrued expenses	4,798	4,021
Assets acquired on finance lease	60	—

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", develops and deploys utility-scale energy storage solutions designed to aid in the global transition to a clean energy future. The Company's mission is to provide energy storage solutions to accelerate the global transition to renewable energy.

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 United States Generally Accepted Accounting Principles ("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, 2023. The condensed consolidated balance sheet as of December 31, 2023, 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 March 31, 2024 and the Company's results of operations and comprehensive loss, stockholders' equity activities, and the cash flows for the three months ended March 31, 2024 and 2023. The results for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024 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.

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 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 and stock-based compensation. 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.

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

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 and Other Risks

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 March 31, 2024, one customer accounted for 87% of accounts receivable and as of December 31, 2023, one customer accounted for 92% of accounts receivable.

As of March 31, 2024 and December 31, 2023, one customer accounted for 100% of the customer financing receivable.

Revenue from two customers accounted for 80% and 14% of total revenue, respectively, for the three months ended March 31, 2024 and revenue from three customers accounted for 43%, 39%, and 16% of total revenue, respectively, for the three months ended March 31, 2023.

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 2023 Annual Report on Form 10-K filed with the SEC on March 13, 2024. There have not been any significant changes to these policies during the three months ended March 31, 2024.

NOTE 3. REVENUE RECOGNITION

The Company recognized revenue for the product and service categories as follows for the three months ended March 31, 2024 and 2023 (amounts in thousands).

	Three Months Ended March 31,	
	2024	2023
Build and transfer energy storage products	$ 7,386	$ 11,273
Other	373	149
Total revenue	$ 7,759	$ 11,422

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 March 31, 2024, the amount of the Company's remaining performance obligations was $137.5 million. The Company generally expects to recognize approximately 3% of the remaining performance obligations as revenue over the next 12 months and the remainder more than 12 months from March 31, 2024.

Contract Balances

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

	March 31, 2024	December 31, 2023
Refundable contribution	$ 25,000	$ 25,000
Unbilled receivables	21,624	55,241
Retainage	5,745	5,745
Less allowance for credit losses	(1,041)	(1,113)
Contract assets, net of allowance for credit losses	$ 51,328	$ 84,873
Contract liabilities, current portion	$ 1,495	$ 4,923
Contract liabilities, long-term portion	—	1,500
Total contract liabilities	$ 1,495	$ 6,423

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 months ended March 31, 2024, the Company recognized revenue of $0.5 million related to amounts that were included in deferred revenue as of December 31, 2023, primarily as a result of the advancement of physical progress on the related projects during the period. For the three months ended March 31, 2023, the Company recognized revenue of $11.3 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.

NOTE 4. ALLOWANCE FOR CREDIT LOSSES

Activity in the allowance for credit losses was as follows for the three months ended March 31, 2024 and 2023 (amounts in thousands):

	Three Months Ended March 31, 2024			
	Accounts Receivable	Contract Assets	Customer Financing Receivable	Total
Allowance for credit losses, beginning of period	$ 69	$ 1,113	$ 1,332	$ 2,514
Provision (benefit) for credit losses	(46)	(72)	29	(89)
Allowance for credit losses, end of period	$ 23	$ 1,041	$ 1,361	$ 2,425

	Three Months Ended March 31, 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	(71)	31	26	(14)
Allowance for credit losses, end of period	$ 10	$ 1,094	$ 1,246	$ 2,350

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 $10.9 million and $10.7 million as of March 31, 2024 and December 31, 2023, respectively.

NOTE 5. FAIR VALUE MEASUREMENTS

Carrying amounts of certain financial instruments, including cash, accounts payable, and accrued expenses 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.

The Company's financial assets and liabilities measured at fair value on a recurring basis were as follows as of March 31, 2024 and December 31, 2023, 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)

[1] Refer to Note 7 - *Investments* for further information.

NOTE 6. 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 deposit and order were received before the owner of the customer became one of the Company's primary shareholders and the deposit was recognized in the line item, contract liabilities, long-term portion, in the condensed consolidated balance sheet as of December 31, 2023. During the three months ended March 31, 2024, the Company concluded it was no longer obligated to provide a gravity-based system to the customer and that the deposit was nonrefundable. As a result, the Company derecognized the $1.5 million liability and recognized it as a gain within the line item, other income (expense), net, in the condensed consolidated statements of operations during the three months ended March 31, 2024.

During the three months ended March 31, 2024 and 2023, the Company paid contracted engineering, design, and civil tolerance code calculation support fees of $0.1 million and $0.1 million, respectively, to an immediate family member of an executive officer. The Company retains all intellectual property as part of these services.

During the three months ended March 31, 2024 and 2023, the Company paid $0.2 million and $0.4 million, respectively, in marketing and sales costs to a company owned by an immediate family member of an officer of the Company.

NOTE 7. INVESTMENTS

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

	March 31, 2024	December 31, 2023
Investment in equity securities	$ 15,000	$ 15,000
Convertible note receivable	2,365	2,295
	$ 17,365	$ 17,295

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 March 31, 2024 and December 31, 2023, the carrying value of these equity securities was equal to its cost basis.

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 for the three months ended March 31, 2024 and $0.1 million for the three months ended March 31, 2023. Interest income related to the amortization of the debt discount was $0.1 million for the three months ended March 31, 2024 and $44 thousand for the three months ended March 31, 2023.

The derivative financial instrument is recorded in other assets in the condensed consolidated balance sheets. 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 (expense), net in the consolidated statement of operations and comprehensive loss. For the three and three months ended March 31, 2024 and 2023, 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 March 31,	
	2024	2023
Beginning of period	$ 1,025	$ 1,025
Additions	—	—
Change in fair value	—	—
End of period	$ 1,025	$ 1,025

NOTE 8. PROPERTY AND EQUIPMENT, NET

As of March 31, 2024 and December 31, 2023, property and equipment, net consisted of the following (amounts in thousands):

	March 31, 2024	December 31, 2023
Land	$ 226	$ 226
Buildings	774	774
Machinery and equipment	11,707	9,330
Finance lease right-of-use assets – vehicles	187	187
Furniture and IT equipment	1,454	1,474
Leasehold improvements	700	702
Construction in progress	34,641	20,095
Total property and equipment	49,689	32,788
Less: accumulated depreciation and amortization	(2,249)	(1,745)
Property and equipment, net	$ 47,440	$ 31,043

For the three months ended March 31, 2024 and 2023, depreciation and amortization related to property and equipment was $0.2 million and $0.2 million, 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 9. INTANGIBLE ASSETS, NET

Intangible assets are stated at amortized cost and consist of the following (amounts in thousands):

	March 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Capitalized software to be sold	$ 2,573	$ (82)	$ 2,491	$ 1,786	$ —	$ 1,786

Once a software application is available for general release and is placed in service, the Company amortizes the capitalized costs on a product basis by the greater of the straight-line method over the estimated economic life of the product, or the ratio that current gross revenues for a product bear to the total current and anticipated future gross revenues for that product. The useful life for our external-use software development costs is five years. Amortization expense for the three months ended March 31, 2024 and 2023 was $0.1 million and $—, respectively.

Future amortization expense for intangible assets is estimated as follows (amounts in thousands):

	Amount
Remainder of 2024	$ 247
2025	329
2026	329
2027	329
2028	329
Subtotal	1,563
Software projects in process	928
Total	$ 2,491

ENERGY VAULT HOLDINGS, INC.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

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 March 31, 2024, the insurance premiums financings have been fully repaid. As of December 31, 2023, the carrying value of the Company's insurance premium financings was $0.4 million and is 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

(amounts in thousands)	March 31, 2024	December 31, 2023
Prepaid and other current assets:		
Prepaid expenses	$ 2,223	$ 3,131
Tax refund receivable	1,341	1,359
Other	54	30
Total	$ 3,618	$ 4,520
Other assets:		
Derivative asset — conversion option	$ 1,025	$ 1,025
Other	1,516	1,624
Total	$ 2,541	$ 2,649
Accrued expenses:		
Professional fees	$ 4,635	$ 4,522
Accrued purchases	7,338	71,932
Employee costs	1,664	5,985
Taxes payable	106	733
Accrued project loss	614	591
Insurance premium financings	—	358
Warranty accrual	983	894
Other	13	27
Total	$ 15,353	$ 85,042
Lease liabilities, current portion:		
Operating leases	$ 391	$ 697
Finance leases	36	27
Total	$ 427	$ 724
Other long-term liabilities:		
Operating leases	$ 984	$ 1,044
Asset retirement obligation	17	52
Warranty accrual	1,022	924
Finance leases	113	93
Warrant liability	2	2
Total	$ 2,138	$ 2,115

NOTE 12. 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 Incentive Plan"). The 2022 Incentive 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 Incentive Plan.

The initial number of shares of the Company's common stock reserved for issuance under the 2022 Incentive 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 common stock that may be issued under the 2022 Incentive 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 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 three months ended March 31, 2024 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, 2023	5,807	$ 1.71	6.37	$ 3,605
Stock options granted	—	—	—	—
Stock options exercised	—	—	—	—
Stock options forfeited, canceled, or expired	(4)	0.80	—	—
Balance as of March 31, 2024	5,803	1.71	6.15	815
Options exercisable as of March 31, 2024	689	0.71	6.32	744
Options vested and expected to vest as of March 31, 2024	5,803	1.71	6.15	815

As of March 31, 2024, total unrecognized stock-based compensation expense related to unvested awards that are expected to vest was $5.1 million. The weighted-average period over which such stock-based compensation expense will be recognized is approximately 2.07 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 March 31, 2024.

Restricted Stock Units

RSU activity for the three months ended March 31, 2024 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, 2023	19,029	$ 4.55
RSUs granted	7,409	1.73
RSUs forfeited	(307)	3.24
RSUs vested	(2,110)	4.45
Nonvested balance as of March 31, 2024	24,021	$ 3.71

As of March 31, 2024, unrecognized stock-based compensation expense related to these RSUs was $74.3 million which is expected to be recognized over the remaining weighted-average vesting period of approximately 2.10 years.

Stock-Based Compensation Expense

Total stock-based compensation expense for the three months ended March 31, 2024 and 2023 is as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Sales and marketing	$ 1,715	$ 1,949
Research and development	2,227	3,149
General and administrative	5,742	8,618
Total stock-based compensation expense	$ 9,684	$ 13,716

NOTE 13. INCOME TAXES

The Company did not recognize any tax provision for the three months ended March 31, 2024 and 2023. 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.

NOTE 14. 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 March 31,	
	2024	2023
Net loss	$ (21,139)	$ (31,167)
Weighted-average shares outstanding – basic and diluted	147,019	139,669
Net loss per share – basic and diluted	$ (0.14)	$ (0.22)

There were no common share equivalents that were dilutive for the three months ended March 31, 2024 and 2023. 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 months ended March 31, 2024 and 2023 (amounts in thousands):

	Three Months Ended March 31,	
	2024	2023
Private warrants	5,167	5,167
Stock options	5,803	1,050
RSUs	24,021	22,128
Total	34,991	28,345

In connection with the reverse recapitalization in 2022, eligible Energy Vault stockholders immediately prior to the closing of the transaction obtained a contingent right to receive 9.0 million shares of the Company's common stock ("Earn-Out Shares") upon the Company's common stock quoted on the NYSE equaling or exceeding certain specified prices for any 20 trading days within a 30 consecutive day trading period ("Earn-Out Triggering Event"). 9.0 million of common stock equivalents subject to the Earn-Out Shares are excluded from the anti-dilutive table above as of March 31, 2024, as the underlying shares remain contingently issuable as the Earn-Out Triggering Events have not been satisfied.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Our principal commitments as of March 31, 2024 consisted primarily of obligations under operating leases, finance leases, deferred pensions, warranty obligations, and issued purchase orders. Our non-cancelable purchase obligations as of March 31, 2024 totaled approximately $0.4 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 March 31, 2024, 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.

Loss Contingencies:

In the ordinary course of business, the Company is regularly subject to various legal proceedings. The Company has identified certain legal matters where the Company believes an unfavorable outcome is not probable and, therefore, no reserve has been established. Although the Company currently believes that resolving claims against the Company, including claims where an unfavorable outcome is reasonably possible, will not have a material impact on the Company's business, financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and the Company's view of these matters may change in the future.

Assurance Warranty Obligations:

The Company provides a limited warranty to its battery energy storage system ("BESS") customers assuring that the BESSs are free from defects. The Company's limited warranties are generally for a period of two years after the substantial completion date of a project. These warranties are considered assurance-type warranties which provide a guarantee of quality of the products. For assurance-type warranties, the Company records an estimate of future warranty costs over the period of construction. Warranty costs are recorded as a component of cost of revenue in the Company's consolidated statements of operations.

As of March 31, 2024 and 2023, the Company accrued the below estimated warranty liabilities, respectively (amounts in thousands):

	Three Months Ended March 31,	
	2024	2023
Warranty balance, beginning of period	$ 1,818	$ —
Accruals for warranties issued	—	—
Change in estimates	243	—
Settlements	(56)	—
Warranty balance, end of period	$ 2,005	$ —

The key inputs and assumptions used in calculating the estimated warranty liability are reviewed by management each reporting period. The Company may make additional adjustments to the estimated warranty liability based on a comparison of actual warranty results to expected results for significant differences or based on performance trends or other qualitative factors. If actual failure rates or replacement costs differ from our estimates in future periods, changes to these estimates may be required, resulting in increases or decreases in the estimated warranty liability, which may be material.

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 March 31, 2024, there was $22.7 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 balance of $1.0 million as of March 31, 2024 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 March 31, 2024, there were $28.6 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 March 31, 2024, 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, 2023 filed by us with the SEC on March 13, 2024. 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 develops and deploys utility-scale energy storage solutions designed to aid in the global transition to a clean energy future.

Our Company's comprehensive offerings include proprietary gravity, battery, and green hydrogen energy storage solutions, supported by our technology-agnostic energy management software solutions. We incorporate a customer-centric, solutions-based approach toward helping utilities, independent power producers, and large industrial energy users reduce their energy costs while maintaining power reliability. As the world transitions to an economy powered by increasingly intermittent renewable energy such as solar and wind, the ability to provide clean and affordable electricity to a growing global population will depend heavily on the ability to store and distribute energy at appropriate times. We are striving to create a world powered by renewable resources so that everyone will have access to clean, sustainable, and affordable energy.

Our solutions are designed to address the intermittency issues inherent in the predominant sources of renewable energy production by storing energy produced when renewable energy production is active. Once energy is stored in our solutions, it 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 levelized 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.

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 2023 Annual Report on Form 10-K filed with the SEC on March 13, 2024.

Product Development and Deployment Plan

We leverage our sustainable and differentiated technologies to provide our customers with economical solutions to meet their short, long, and extended-duration renewable energy storage needs. Our energy storage solutions are designed to accommodate a wide variety of renewable power sources and to achieve an attractive levelized cost of energy relative to fossil fuels.

We anticipate that our market will be characterized by high growth and rapidly evolving use cases and requirements. 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. Alternatively, we have strategically chosen to design an agile and agnostic software platform that can orchestrate the management of not just one energy storage technology, but rather one or more of our diverse storage mediums and the underlying power generation assets to harmonize asset operation and drive competitive operational performance. We expect that this will broaden the use cases and time duration scenarios that can be

addressed by certain sources of renewable power, and thereby drive a faster transition to more widespread utilization of renewable power.

Our range of energy storage solutions assures our customers have what they need today, as well as what they will need in the future, thereby protecting their investments in our products within this high-growth market and its rapidly evolving use cases and requirements. For these reasons, we believe we are well positioned to compete successfully in the evolving market for energy storage solutions.

We primarily rely on two models for project delivery, which are (i) engineering, procurement, and construction ("EPC") delivery and (ii) engineered equipment ("EEQ") delivery. Under the EPC model, we generally rely on third-party EPC firms to construct our storage systems, under our supervision with dedicated teams tasked with project management. Under the EEQ model, we are responsible for the delivery and installation of the equipment we provide, as well as resolving issues within our scope of supply.

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) economic uncertainties, including the war in Ukraine and the conflict in the Middle East, and (ii) high inflation pressure on project budgeting resulting in potential significant delays and cost fluctuations, particularly with respect to lithium, transformers, inverters, motors, 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.

Energy Storage Industry

We believe climate change poses a monumental risk to humanity and decreasing human generated GHG emissions is currently among the world's most pressing challenges. Carbon dioxide is the primary GHG emitted through human activities and, according to the International Energy Agency, the energy sector is estimated to account for more than 75% of global human generated GHG emissions. Burning fossil fuels contributes to climate change by releasing carbon dioxide and nitrous oxide into the atmosphere.

Renewable energy sources present environmental advantages over fossil fuels in terms of finite natural resource usage and GHG emission profile. A major obstacle to transitioning to renewable sources of energy such as wind and solar is the intermittent availability of these types of energy sources. Energy storage solutions are needed to balance the production intermittency of variable renewable energy to support a clean-energy future and a balanced electrical grid infrastructure.

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

According to the 2H 2023 Energy Storage Market Outlook published by BloombergNEF in October 2023, the energy storage market is expected to grow at a "27% compound annual growth rate through 2030, with annual additions reaching 110 GW/372 GWh, or 2.6 times expected 2023 gigawatt installations." Both government mandates and companies focused on reducing energy use, cost, and emissions are expected to propel the shift to renewable sources of power.

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 low cost energy sources. 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.

Government Regulation and Compliance

Governments in countries throughout the world have announced and implemented various policies, regulations, and legislation to support the transition from fossil fuels to low-carbon form of energy, including through the use of energy storage solutions. For example, in August 2022, the United States Congress passed the Inflation Reduction Act ("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 short, long, and extended duration use cases, like those offered by Energy Vault. Such government policies and programs are becoming increasingly instrumental in stimulating adoption of energy storage solutions across different markets through a variety of methods, including by providing financial support, facilitating grid integration, and supporting research and development.

Although we are not regulated as a utility, federal, state, and local government statutes and regulations concerning electricity heavily influence the market for our products and services. These statutes and regulations often relate to electricity pricing, net metering, incentives, taxation, competition with utilities and the interconnection of customer-owned electricity generation. In the United States, governments continuously modify these statutes and regulations. Governments, often acting through state utility or public service commissions, change and adopt different rates for commercial customers on a regular basis. These changes could affect our ability to deliver cost savings to our current and future customers for the purchase of electricity. We believe we are well positioned to capture incentives contained in the IRA and that its enactment is favorable to our business and future operations. However, as this legislation was recently adopted and applicable U.S. Department of Treasury and Internal Revenue Service guidelines were published in the third quarter of 2023, we have not yet seen the impact these IRA incentives may have on our business, operations, and financial performance in the future and cannot guarantee that we will realize the anticipated benefits from the incentives in the IRA.

Key Operating Metrics

Bookings

Bookings represent 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 Company did not have any bookings during the three months ended March 31, 2024 and March 31, 2023.

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 March 31, 2024, backlog totaled $137.5 million.

The Company generally expects to recognize approximately 3% of the backlog as revenue over the next 12 months and the remainder more than 12 months from March 31, 2024. 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 3 - *Revenue Recognition*.

Key Components of Results of Operations

Revenue

The Company generates revenue from the sale and licensing of our energy storage solutions. To date, the Company has primarily generated revenue from the sale of our BESSs and from licensing our EVx technology. In addition to these sources of revenue, in the future we expect to generate revenue from the sale of our GESSs, the sale or licensing of the Company's software solutions, the sale of long-term service agreements to maintain customer owned energy storage systems, and through tolling arrangements in connection with energy storage systems that we intend to own and operate.

When the Company sells a BESS, the Company recognizes revenue over time as we transfer control of our product to the customer. When the Company licenses its intellectual property, revenue is recognized at the point in time at which the customer obtains control of the licensed technology.

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

Our revenue growth is dependent on continued growth in the number 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 to meet our customers' energy storage needs.

Cost of Revenue

Cost of revenue primarily consists of product costs, including purchased materials and supplies, as well as costs related to subcontractors, direct labor, and product warranties.

Our cost of revenue is affected by underlying costs of materials such as batteries, inverters, enclosures, transformers, and cables, as well as the cost of subcontractors to provide construction services. We do not currently hedge against changes in the price of raw materials as we do not purchase raw materials. We purchase energy storage system components from our suppliers.

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.

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.

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 expenses include investor relations costs, insurance costs, rent, office expenses, and maintenance costs.

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, interest-bearing savings accounts, customer financing receivable, and convertible note receivable.

Results of operations

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

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

	Three Months Ended March 31,		
	2024	2023	$ Change
Revenue	$ 7,759	$ 11,422	$ (3,663)
Cost of revenue	5,691	9,003	(3,312)
Gross profit	2,068	2,419	(351)
Operating Expenses:			
Sales and marketing	4,170	4,574	(404)
Research and development	6,966	11,178	(4,212)
General and administrative	15,264	19,400	(4,136)
Depreciation and amortization	295	209	86
Loss from operations	(24,627)	(32,942)	8,315
Other income (expense):			
Interest expense	(8)	(1)	(7)
Interest income	1,826	1,935	(109)
Other income (expense), net	1,670	(159)	1,829
Loss before income taxes	$ (21,139)	$ (31,167)	$ 10,028

Revenue

The Company recognized revenue for the product and service categories as follows for the three and three months ended March 31, 2024 and 2023.

	Three Months Ended March 31,	
	2024	2023
Build and transfer energy storage products	$ 7,386	$ 11,273
Other	373	149
Total revenue	$ 7,759	$ 11,422

Revenue for the three months ended March 31, 2024 decreased by $3.7 million to $7.8 million compared to $11.4 million for the three months ended March 31, 2023. The decrease in revenue was primarily attributable to a $3.9 million decrease in revenue from building and transferring energy storage products due to a reduction in revenue from battery energy storage projects. Revenue from two customers accounted for 80% and 14% of total revenue for the three months ended March 31, 2024 and revenue from three different customers accounted for 43%, 39%, and 16% of total revenue for the three months ended March 31, 2023.

Cost of Revenue

Cost of revenue for the three months ended March 31, 2024 decreased by $3.3 million to $5.7 million compared to $9.0 million for the three months ended March 31, 2023. Cost of revenue decreased as a result of the Company's BESS projects

in progress during the three months ended March 31, 2024 being in their final stages, compared to the projects being in earlier stages during the three months ended March 31, 2023.

Gross Profit and Gross Profit Margin

Gross profit was $2.1 million and $2.4 million, respectively, for the three months ended March 31, 2024 and 2023 and gross profit margin was 26.7% and 21.2%, respectively. Gross profit and gross profit margin for the three months ended March 31, 2024 and 2023 were primarily attributable to the advancement of physical progress on the Company's BESS projects.

S&M

S&M expenses decreased by $0.4 million to $4.2 million for the three months ended March 31, 2024, compared to $4.6 million for the three months ended March 31, 2023. The decrease was primarily attributable to a decrease in personnel-related expenses of $0.5 million due to a reduction in headcount.

R&D

R&D expenses decreased by $4.2 million to $7.0 million for the three months ended March 31, 2024, compared to $11.2 million for the three months ended March 31, 2023. The decrease was primarily attributable to a $2.3 million decrease in engineering costs, a $1.5 million decrease in personnel-related expenses, and a $0.2 million decrease in software expenses. These cost decreases were primarily attributable to a focus on cost controls and a reduction in headcount.

G&A

G&A expenses decreased by $4.1 million to $15.3 million for the three months ended March 31, 2024 compared to $19.4 million for the three months ended March 31, 2023. The decrease was primarily attributable to a $4.0 million decrease in personnel-related expenses due to a reduction in headcount.

Depreciation and Amortization

Depreciation and amortization expense increased by $0.1 million to $0.3 million for the three months ended March 31, 2024, compared to $0.2 million for the three months ended March 31, 2023. The increase is primarily due to $0.1 million in amortization costs related to the Company's capitalized software. Certain capitalized software products were placed into service effective January 1, 2024, resulting in $0.1 million in amortization expense during the three months ended March 31, 2024. There was no comparable expense for the three months ended March 31, 2023.

Interest income

Interest income decreased by $0.1 million to $1.8 million for the three months ended March 31, 2024 compared to $1.9 million for the three months ended March 31, 2023. The decrease in interest income is primarily due to a decrease in interest income from our money market funds.

Other income (expense), net

Other income (expense), net improved by $1.8 million to other income of $1.7 million for the three months ended March 31, 2024 compared to other expense of $0.2 million for the three months ended March 31, 2023. The change in other income (expense), net is primarily due to a $1.5 million gain resulting from the derecognition of a contract liability with a related party during the three months ended March 31, 2024. In 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. During the three months ended March 31, 2024, the Company concluded it was no longer obligated to provide a gravity-based system to the customer and that the deposit was nonrefundable. As a result, the Company derecognized the $1.5 million liability and recognized it as a gain during the three months ended March 31, 2024. There was no such comparable gain during the three months ended March 31, 2023.

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 with the proceeds from the reverse recapitalization and private investment in public equity that occurred in 2022. 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 March 31, 2024 and December 31, 2023 (amounts in thousands):

	March 31, 2024	December 31, 2023
Cash and cash equivalents	$ 135,773	$ 109,923
Restricted cash	1,011	35,632
Total cash, cash equivalents, and restricted cash	$ 136,784	$ 145,555

Management believes that its cash, cash equivalents, and restricted cash on hand as of the filing date of this Quarterly Report 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 on-going 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. There is uncertainty as to the collectability of the license payments in certain licensing agreements, and the Company has not yet recognized any revenue related to those license agreements where collectability is uncertain.

Anticipated cash inflows from licensing agreements with extended payment terms as of March 31, 2024 were as follows (amounts in thousands):

	Amount
Remainder of 2024	$ 7,146
2025	11,319
2026	11,081
2027	11,842
2028	12,342
Thereafter	43,370
Total	$ 97,100

Contractual Obligations

Our principal commitments as of March 31, 2024 consisted primarily of obligations under operating leases, finance leases, deferred pensions, warranty obligations, and issued purchase orders. Our non-cancellable purchase obligations as of March 31, 2024 totaled approximately $0.4 million.

Cash Flows

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

	Three Months Ended March 31,	
	2024	2023
Net cash provided by (used in) operating activities	$ 947	$ (70,772)
Net cash used in investing activities	(8,768)	(17,635)
Net cash used in financing activities	(678)	(775)
Effects of exchange rate changes on cash	(272)	(27)
Net decrease in cash	$ (8,771)	$ (89,209)

Operating Activities

During the three months ended March 31, 2024 and 2023, cash provided by (used in) operating activities totaled $0.9 million and $(70.8) million, respectively.

During the three months ended March 31, 2024 operating cash flows were positively impacted by a $59.7 million decrease in operating assets and non-cash charges of $9.6 million. The decrease in operating assets was primarily attributable to a $33.6 million decrease in contract assets, a $25.9 million decrease in accounts receivable, and a $0.8 million decrease in prepaid expenses and other current assets. The non-cash charges were primarily composed of $9.7 million in stock-based compensation expense and $0.3 million in depreciation and amortization, partially offset by $0.4 million in non-cash interest income. Operating cash flows were negatively impacted by a net loss of $21.1 million and a decrease in operating liabilities of $47.2 million. The decrease in operating liabilities was primarily attributable to a $42.1 million decrease in accounts payable and accrued expenses and a $4.8 million decrease in contract liabilities.

During the three months ended March 31, 2023, cash used in operating activities of $70.8 million was negatively impacted by a net loss of $31.2 million, an increase in operating assets of $35.5 million, and a decrease in operating liabilities of $17.8 million. The increase in operating assets was primarily due to a $67.3 million increase in advances to suppliers and a $1.3 million increase in contract assets, partially offset by a $33.4 million decrease in accounts receivable. The decrease in operating liabilities was primarily due to a $54.1 million decrease in accounts payable and accrued expenses, partially offset by a $36.6 million increase in contract liabilities. Operating cash flows were positively impacted by non-cash charges of $13.7 million, which was primarily due to $13.7 million in stock-based compensation expense.

Investing Activities

During the three months ended March 31, 2024 and 2023, cash used in investing activities totaled $8.8 million and $17.6 million, respectively.

Cash used in investing activities for the three months ended March 31, 2024 consisted of $8.6 million for the purchase of property and equipment, primarily related to the energy storage systems being constructed in Snyder, Texas and Calistoga, California, and $0.2 million for the purchase of property and equipment.

Cash used in investing activities for the three months ended March 31, 2023 consisted of $11.6 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.

Financing Activities

During the three months ended March 31, 2024, cash used in financing activities totaled $0.7 million, compared to cash used in financing activities of $0.8 million for the three months ended March 31, 2023.

For the three months ended March 31, 2024, cash used in financing activities primarily consisted of $0.4 million in repayments on insurance premium financings and $0.3 million in tax payments related to the net settlement of equity awards.

During the three months ended March 31, 2023, cash used in financing activities was primarily attributable to $0.8 million in tax payments related to the net settlement of equity awards.

Non-GAAP Financial Measures

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 March 31,	
	2024	2023
S&M expenses (GAAP)	$ 4,170	$ 4,574
Non-GAAP adjustment:		
Stock-based compensation expense	1,715	1,949
Adjusted S&M expenses (non-GAAP)	$ 2,455	$ 2,625

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

	Three Months Ended March 31,	
	2024	2023
R&D expenses (GAAP)	$ 6,966	$ 11,178
Non-GAAP adjustment:		
Stock-based compensation expense	2,227	3,149
Adjusted R&D expenses (non-GAAP)	$ 4,739	$ 8,029

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

	Three Months Ended March 31,	
	2024	2023
G&A expenses (GAAP)	$ 15,264	$ 19,400
Non-GAAP adjustment:		
Stock-based compensation expense	5,742	8,618
Adjusted G&A expenses (non-GAAP)	$ 9,522	$ 10,782

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 March 31,	
	2024	2023
Net loss (GAAP)	$ (21,139)	$ (31,167)
Non-GAAP adjustments:		
Interest income, net	(1,818)	(1,934)
Provision for income taxes	—	—
Depreciation and amortization	295	209
Stock-based compensation expense	9,684	13,716
Gain on derecognition of contract liability	(1,500)	—
Foreign exchange losses	60	170
Adjusted EBITDA (non-GAAP)	$ (14,418)	$ (19,006)

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.

Critical Accounting Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

There have not been any 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 2023 Annual Report of Form 10-K filed with the SEC on March 13, 2024.

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 financial accounting standards. We are expected to remain an emerging growth company through the end of 2026 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

The majority of our contracts with customers 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 Swiss franc, the Australian dollar, the South African rand, 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, a portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies, such as the euro and the Swiss franc, and are subject to fluctuations due to changes in foreign currency exchange rates. If we increase our exposure to foreign currencies 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 products and solutions and the licensees of our intellectual property. The 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. Credit policies have been approved and implemented to assess our existing and potential customers with the objective of mitigating credit losses. These policies establish guidelines, controls, and credit limits to manage credit risk within approved tolerances by mandating an appropriate evaluation of the financial condition of existing and potential customers, monitoring agency credit ratings, and by implementing credit practices that limit exposure according to the risk profiles of the counterparties. In addition, customers are required to make milestone payments based on their project's progress. We may also, at times, require letters of credit, parent guarantees, or cash collateral when deemed necessary.

Our overall exposure may be affected positively or negatively by macroeconomic or regulatory changes that may impact our counterparties. Currently, management does not anticipate a material adverse effect in our financial position or results of operations from the non-performance of a customer. We continuously monitor the creditworthiness of all our customers.

Commodity Price Risk

We are subject to risk from fluctuating market prices of certain commodity raw materials, including cement, steel, aluminum, and lithium, which are used in the components that we purchase from our suppliers and then as inputs to 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

Limitations on the Effectiveness of Controls

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation of our disclosure controls and procedures as of March 31, 2024, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures as of such date are effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II-Other Information

Item 1. Legal Proceedings

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

There have not been any material changes to our risk factors previously disclosed in our 2023 Annual Report on Form 10-K filed with the SEC on March 13, 2024. You should carefully consider the risks set forth in Part 1, Item 1A, Risk Factors, of the Company's 2023 Annual Report, and all other information included in this Quarterly Report before making an investment decision. Our business, financial condition, and results of operations could be materially and adversely affected by any of these risks or uncertainties.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

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

On April 5, 2024, we entered into a retention bonus agreement with Akshay Ladwa, the Company's Chief Engineering Officer, in an aggregate amount equal to $150,000, which will be payable in substantially equal installments on or before April 15, 2024, July 15, 2024, and October 15, 2024, subject to his continued service on each payment date and may be subject to repayment if Mr. Ladwa's employment with the Company terminates for any reason within 12 months following each applicable payment date.

On May 1, 2024, the Board approved a discretionary cash bonus payable to Robert Piconi, the Company's Chief Executive Officer, in an aggregate amount equal to $279,450, which will be payable in equal installments on or shortly following April 15, 2025, July 15, 2025, and October 15, 2025, subject to his continued service on each payment date and subject to repayment if Mr. Piconi's employment with the Company terminates for any reason within 12 months following each applicable payment date.

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

None.

(c) Insider trading arrangements and policies.

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit 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
10.1**	Employment Agreement by and between Energy Vault, Inc. and Akshay Ladwa, dated as of October 6, 2023				
10.2**	Retention Bonus Agreement by and between Energy Vault Holdings, Inc. and Robert Piconi, dated as of April 5, 2024				
10.3**	Retention Bonus Agreement by and between Energy Vault Holdings, Inc. and Akshay Ladwa, dated as of April 5, 2024				
10.4	Separation and General Release Agreement by and between Energy Vault Holdings, Inc. and Jan Kees van Gaalen, dated as of April 15, 2024	8-K/A	001-39982	10.1	April 19, 2024
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)				

** 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: May 8, 2024

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

Date: May 8, 2024

By: /s/ Michael Beer
Name: Michael Beer
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)