



## EQUITY AND INDUSTRY RESEARCH

September 8, 2021

**Evolv Technologies**(EVLV: \$6.49 In-Line; \$12.00 PT)*Creating a New Market Within Personnel Screening; Initiating Coverage with an In-Line Rating and PT of \$12*

**Brian Ruttenbur**  
615-293-8234  
[bruttenbur@imperialcapital.com](mailto:bruttenbur@imperialcapital.com)

**Key Data**

Symbol: EVLV  
Price (9/8/21): \$6.49  
Rating: In-Line  
Price Target: \$12

**Estimates (\$mm):**

2021E EBITDA: (\$39.2)  
2022E EBITDA: (\$30.7)  
2021E Revenue: \$20.4  
2022E Revenue: \$51.0  
2021E EV/Rev: 27.6x  
2022E EV/Rev: 11.0x

**Consensus Estimates:**

2021 Adj. EPS: (\$0.52)  
2022 Adj. EPS: (\$0.22)

**Company Description**

Evolv Technologies, Inc. develops products that utilize advanced sensors, AI, and cloud services to accurately detect guns, knives, and explosives. Evolv's screening software makes security screening cheaper and more efficient, with potential savings of up to 70% as well as the ability to screen up to 10x faster than alternative screening methods. Evolv's mission is to make the world a safer place, and to date the company's products have screened over 50 million people worldwide.

**Figure 1. Evolv Technologies—Key Company Data, Prices as of 9/8/21**

Key Data	FY: Dec	2020	2021E	2022E	2023E
Price:	\$6.49	<u>Actual</u>	<u>New</u>	<u>New</u>	<u>New</u>
<b>Price Target:</b>	<b>\$12.00</b>		(0.50)	(0.08)	
52-Week Range:	\$7.22 - \$12.41		(0.71)	(0.07)	
<b>Market Cap (\$mm):</b>	<b>915</b>		(0.09)	(0.07)	
<sup>1</sup> Shares Out. (mm):	141.0		(0.10)	(0.07)	
Avg. Daily Vol. (mm):	0.34	<b>Year</b>	<b>(1.16)</b>	<b>(0.75)</b>	<b>(0.28)</b>
Beta:	..		-5.6x	-8.6x	-23.3x
<sup>1</sup> Total Debt (mm):	0.0	<b>EBITDA (\$000)</b>	<b>(25,500)</b>	<b>(39,173)</b>	<b>(30,731)</b>
<sup>1</sup> Net Debt (mm):	-354.0	EV/EBITDA	-22.0x	-14.3x	-18.3x
<b><sup>1</sup> EV (\$000):</b>	<b>561,090</b>	<b>Revenue (\$000)</b>			
		Q1	3,999	8,785	
Dividend:	\$0.00	Q2	4,480	11,885	
Dividend yield:	0.00%	Q3	5,480	14,085	
		Q4	6,430	16,285	
		<b>Year</b>	<b>4,785</b>	<b>20,389</b>	<b>51,040</b>
		EV/Sales	117.5x	27.6x	11.0x
					<b>132,840</b>
					4.2x

Sources: CapIQ and Imperial Capital, LLC <sup>1</sup>Based on 8/16/21 8K company filings.**Financial Summary**

Evolv Technologies reported 2Q 2021 revenues of \$4.5 million, EBITDA of (\$5.8) million, and EPS of (\$0.71) on 31.5 million shares outstanding. As of August 16, 2021, the company had cash of \$354 million, no debt and FD shares outstanding of 141 million.

Guidance. The company provided calendar 2021 guidance in the range of \$20 million to \$21 million in revenue and GAAP EPS of (\$0.80) – (\$0.75) on 84 million weighted average shares outstanding for the year. The Company expects the Total Contract Value (TCV) of orders booked in 2021 to be in the range of \$53 million to \$55 million (TCV of orders booked for the first six months of 2021 was \$20.2 million).

**View**

We are initiating coverage on shares of EVLV with an In-Line rating and price target of \$12.00. Evolv Technologies Holdings, Inc. came public through a SPAC (NewHold Investment Corp. - NHIC) in July 2021. Evolv provides AI-based touchless personnel security screening using a SaaS based business model. Evolv's innovative technology has the ability to screen individuals up to 10x faster vs. traditional metal detectors. The faster speeds, touchless security, and ROI (savings primarily from fewer security staff) have provided initial traction for the company. Management is guiding to rapid growth with a 5-year sales CAGR of 168% between now and 2025. We see several hurdles the company will need to overcome including defining a new market with a new sales strategy, expanding beyond a single solution offering, and expanding the offering to new locations/venues. As of August 16, 2021, the company had cash of \$354 million, no debt. We value Evolv at 25x EV/Revenue multiple based on 2022 guidance. Our price target of \$12.00 implies an enterprise value of \$1.3 billion.

**Important Disclosures, Certifications and Other Information**

See the last page of this report for important disclosures, analyst certifications and other information concerning conflicts of interest that may exist between the subject of this report and Imperial Capital, LLC, Imperial Capital Asset Management, LLC and/or the author(s) of this report.

Additional information is available upon request.

## Capitalization

**Figure 2. Evolv Technologies—Capitalization as of 8/16/21, Prices as of 9/8/21**

LTM Revenue (\$000)			(6/30/21)	4,785	Debt		Net Debt		Net Debt		Price / YTM				Interest Exp.		
LTM EBITDA (\$000)			(6/30/21)	(25,500)	Face		Face		Market		Analysis				Analysis		
LTM EBITDA %			(6/30/21)	-532.9%													
FY21E Revenues (\$000)				20,389													
FY21E EBITDA (\$000)				(39,173)													
FY21E EBITDA %				-192.1%													
LTM CapEx (\$000)			(6/30/21)	13,795													
LTM "Simple" FCF (\$000)			(6/30/21)	(40,895)													
Settlement Date			09/10/21		Cum.	LTM	Net	LTM	Cum.	LTM							
					Debt	EBITDA	Debt	EBITDA	Debt	Debt							
					(25,500)	(25,500)	(25,500)	(25,500)	(25,500)	(25,500)							
					Face	Mult.	Face	Mult.	Mkt	Mkt							
											Price	YTM	Cash	Mat.	Rate/	Est.	
															Coup.	Int. Exp.	
Cash and Cash Equivalents <sup>1</sup>			Balance	354,067													
Sr. Unsecured Debt																	
Sr. Unsecured Debt			-														
Total Unsecured Debt			-		-	0.0x	-	0.0x	0	(354,067)	NA						
						0.0x		0.0x			NA						
Unsecured Debt																	
Longterm Debt																	
Total Longterm Debt			-		-	0.0x	-	0.0x	0	(354,067)	NA						
Total Debt			-			0.0x		0.0x			NA						
Equity Market Cap																	
Share Price			\$6.49														
FD Shares Outstandin <sup>1</sup>			141.00														
Market Cap <sup>1</sup>			\$915												Interest		

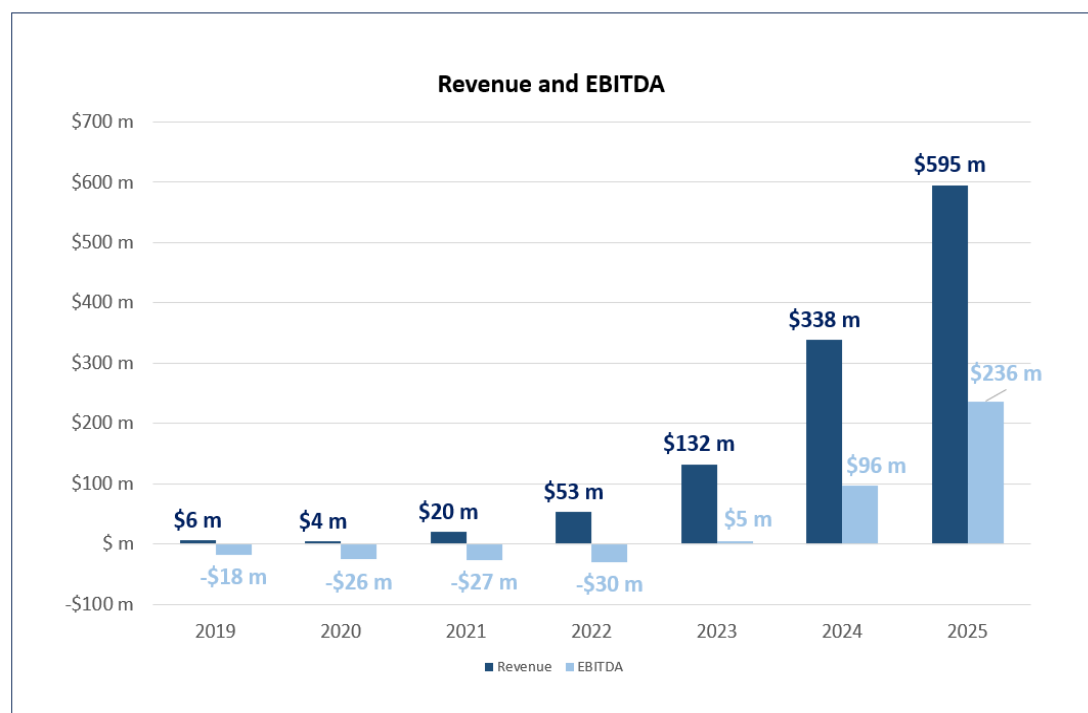
Sources: CapIQ and Imperial Capital, LLC <sup>1</sup>Based on 8/16/21 8K company filings.

### View (continued)

**Leader in Emerging Personnel Security Market.** Evolv Technology is an emerging leader in the personnel screening market. The company is planning to redefine the personnel screening market (which is currently estimated at a few billion annually and growing in the mid-single digits) with an AI-based touchless security screening solution. Evolv management is defining the new market or Total Addressable Market (TAM) at \$20 billion for its solution. We see several advantages the company has in the market:

- **Differentiated Positioning.** Utilizing new Technology which could speed screening up to 10x faster at a fraction of the cost. Evolv believes it is the only company providing touchless security screening products addressing customer requirements around throughput, visitor experience, and cost effectiveness. The system provides an automatic threat detection solution that takes the guess work out of the hands of individuals (the system automatically alerts on individuals incorporating magnetometers, video solutions, and the location of the potential threat). Evolv has 7 US patents and 14 international patents around its proprietary technology.
- **SaaS Model.** The company is selling its products through a SaaS based recurring revenue model with long-term contracts (typically 48 months) vs. the traditional providers that sell primarily a product with limited recurring maintenance services. The SaaS model creates long-term visibility for revenues and opportunity for improved margins over time. Management has expressed its visibility on future revenues through Total Contract Value (TCV) of orders booked. In 2021 management provided guidance of \$53 million to \$55 million of TCV (TCV of orders booked for the first six months of 2021 was \$20.2 million).
- **Large Data Set for Continuous Improvement.** Evolv's software will continue to improve through AI and machine learning with a large amount of data generated by the company's product. The large data set creates a significant repository of digital machine learning training data for weapons and common non-threat items, a necessity for improving the company's software to accurately separate threats from non-threats. The company has over 50 million scans to date, and we expect the number of scans will only increase with time and deployments.

**Guidance For Rapid Revenue Growth with a Path to Profitability.** The company is guiding to rapid revenue growth over the next few years going from \$5 million in revenue and an Adj. EBITDA loss of \$26 million in 2020 to \$595 million (CAGR growth of more than 100%) and Adj. EBITDA of \$236 million in 2025. In 2023 on \$132 million in revenue management projects Adj. EBITDA profitability of \$5 million. Below is a chart with management's guidance through 2025.

**Figure 3. Revenue and EBITDA Guidance**


Source: Company reports and Imperial Capital Research

**Strong Balance Sheet with Experienced Management Team.** Evolv has a strong balance sheet with \$354 million in cash as of August 16, 2021 and no debt. The company plans to burn ~\$100 million in order to achieve break even by the end of 2023. Given the high growth plans (over 160% CAGR) provided by management there is a risk that if there are any revisions to this guidance then there is a possibility of negative repercussions for shareholders. We note that Evolv's management team has substantial experience in bringing emerging technologies to market across multiple sectors, including physical and cyber security, software, and enterprise software. Peter George, CEO of Evolv, had an extensive background in cyber security including 11 years as the CEO of Fidelis (a cybersecurity company focused on threat detection, hunting, and targeted response of advanced threats and data breaches) prior to joining Evolv. Michael Ellenbogen, co-founder and head of advanced technology at Evolv, started Reveal Imaging, a CT based imaging company focused on automotive explosive detection for check bags at airports. Anil Chitkara, head of corporate development at Evolv, was Senior Vice President of Market Development of Oco, Inc., a business analytics software provider (Oco was acquired by Deloitte Managed Analytics). This management team is rapidly growing and recruiting new talent from the physical and cyber security markets. We expect a dramatic increase in the number of employees over the next 6 months as the company uses its strong balance sheet to acquire needed talent.

**We see several hurdles the company will need to overcome including defining a new market with a new sales strategy, a single solution, and expanding the offering to new locations/venues,**































- Defining a New Market with a New Sales Strategy.** Currently the personnel screening market is estimated at a few billion annually (primarily products are magnetometers, puffers, backscatter x-ray, and trace detection) and growing in the mid-single digits. Evolv is defining/establishing a new market within personnel screening that management estimates will be \$20 billion by 2025 (possibly much higher). The company is also incorporating a new sales strategy. Evolv is selling its solution differently instead of a one-time fee of \$2,000-\$5,000 per metal detector the company is charging \$2,000-\$3,000 per month per check point for a minimum of 48 months for their solution. While management provides a compelling ROI to customers this sales strategy is new to the personnel security screening market.
- Single Solution.** The company sells a single solution currently, the Evolv Express. In addition, the company has a limited number of current customers and customer deployments. We believe the company is in the process of adding additional solutions as well as new customers and deployments.

- Expanding The Offering to New Locations/Venues.** We believe the company is planning to expand its offering to both new venues (beyond the traditional personnel security market) and traditional venues. These new venues include schools, religious locations, as well as large entertainment settings. The company does not plan to address all current security sectors including one of the largest, airports. According to management, US airports (security is operated by the TSA and one of the largest markets for personnel screening) is not currently a target market for the company's Evolv Express. We believe management may choose to bypass other existing personnel screening markets as it looks to find locations with high traffic, an openness to a new security screening model, and demand for quick touchless security.

## Company Overview

Evolv Technologies was founded in 2013 by Anil R. Chitkara and Michael Philip Ellenbogen with the goal of making the world a safer place. To accomplish such a lofty goal, Evolv employs technology utilizing advanced sensors, AI, and cloud services to accurately identify potential threats. It is our opinion that the core technology the company employs to detect threats is a magnetometer (metal detector) with AI enabled threat analytics (AI threat Classifier) and a strong data aggregation engine. This unique approach has led to many early adopters of the Evolv solution.

**Figure 3. List of Key Customers**

Entertainment	Tourist	Commercial Businesses	School, Church and Government
             	      	   	    

Source: Company reports and Imperial Capital Research

Evolv has already succeeded in the area of product recognition, winning the 2020 Edison Awards, 2 Campus Safety 2020 BEST Awards, and Campus Security & Life Safety magazine's Secure Campus 2020 awards. Additionally, the company currently provides its solutions to notable names, including the Biltmore Estate, the Georgia Aquarium, Manchester City F.C., Six Flags Theme Parks, and Oakland International Airport. The company has screened over 50 million people worldwide, second only to the U.S. Department of Homeland Security TSA. The company is headquartered in Waltham, MA, and has a total headcount 125 as of June 30, 2021.

## Product Offerings

Evolv Technologies manufactures a new screening technology that has been used by various organizations in multiple applications. The company has a single product, the Evolv Express.

**Evolv Express System:** This is a touchless security screening system designed to detect firearms and a wide variety of other threats in unstructured people flows. The system has an impressive throughput of 3,600 people per hour and became commercially available in October 2019.

**Figure 4. Evolv Express**


Source: Company reports and Imperial Capital Research

The company developed the Evolv Edge System which is a predecessor to the Evolv Express System. The Edge System supports structured, single-file flows of people with a maximum throughput of 800 people per hour. The system has been commercially available since 2017, but management does not expect the Edge system to be a significant part of the company's growth plans.

**Pricing.** The company prices its products at \$2,000-\$3,000 per system per month with a 48 month contract as a standard. Below is chart highlighting Evolv pricing.

**Figure 5. Pricing Chart of Offerings**

### Security-as-a-Service (SaaS) Pricing

*Pricing options: Straight monthly subscription or hardware purchase plus software subscription*

**\$2k- \$3k**

PER MONTH PER SYSTEM

**48 Month**

CONTRACTS

**12 Month**

SUBSCRIPTION PAID IN ADVANCE

EVOLV EXPRESS Economics	2021E	2023E
Total Contract Value	\$120k	\$120k
Annual Recurring Revenue	\$30k	\$30k
Upsell Revenue	-	\$24k

Source: Company reports and Imperial Capital Research

**Cost Savings.** The company lays out potential cost savings for its products based on lower labor costs. According to the company, organizations can save dramatically by using the Evolv Express system. The cost to scan a person using an Express system is estimated at \$0.11 per scan vs. \$0.38 per scan for a legacy system.



Below is a chart from management that lays out the cost savings of the Evlov Express.

**Figure 6. Cost Savings of Evlov Express**



Source: Company reports and Imperial Capital Research

## Market Opportunity

Evlov's management estimates the total screening market to be a \$20 billion opportunity by 2025, comprised of both the legacy screening market and the new touchless screening market. Evlov believes its primary market opportunity is weapon screening at venues and facilities such as large workplaces, sports and entertainment venues, tourist locations and cultural institutions, government offices, hotels and casinos, hospitals and healthcare facilities, places of worship, and educational institutions. Based on these prospective locations, management identified an estimated 400,000 prospective sites and 1,000,000 individual thresholds where their security screening products could potentially be deployed. Below is a chart highlighting the market opportunity.

**Figure 7. Market Opportunity**



Source: Company Reports and Imperial Capital Research

Management believes there are multiple adjacent market expansion opportunities beyond security screening, including what is referred to as "digital threshold vision." Evlov sees current screening and operational processes in venues as largely manual and analog, creating the opportunity for software additions to their technology. Potential future applications could include visitor analytics, verification of entry credentials, and other forms of technology-enabled guidance to visitors as they enter a venue. Management estimates the opportunity for digital threshold vision at \$80 billion market by 2025. This would bring Evlov's total addressable market to \$100 billion by 2025, according to management.

## Competition

Evolv Technologies is in the process of creating a new industry within a legacy industry. Evolv is therefore competing against several companies that provide security personnel inspection equipment. In addition to the traditional competitors in inspection equipment we believe it is important to look at other sectors in physical security and artificial intelligence that have similar recurring business models to Evolv Technologies. In the chart below we have broken these sectors down into 4 categories: Security Inspection, Physical Security SaaS, Smart Home Security, and Video/AI Analytics.

**Figure 7. Competitive Landscape**

Security Inspection	Physical Security SaaS	Smart Home Security	Video/AI Analytics
  	 	 	

Source: Company Reports and Imperial Capital Research

### Security Inspection

The key companies in the security personnel inspection market are outlined below. We view these companies as the closest peers to Evolv (listed in alphabetical order).

**Leidos Holding, Inc. (LDOS).** Leidos is a defense, aviation, government IT services provider based in Reston, VA. The company is projected to generate \$14 billion in revenues in 2021 and has a market capitalization of \$13.8 billion. Leidos operates through three segments: Defense Solutions, Civil, and Health. The company is best known for its federal government IT services. Within the Civil segment the company produces several personnel screening solutions, including the ProVision 2 and SafeView. The ProVision 2 model uses millimeter wave technology to detect concealed objects and has a throughput rate of 200-300 people per hour depending on the application. The ProVision 2 model was designed for Airport settings but can be adapted to other environments. The SafeView model also employs millimeter wave technology and in terms of throughput takes roughly 1.5 seconds to complete a full scan. Leidos has a full line of personnel, parcel, checked baggage and large cargo screening equipment. In 2020 the company acquired the Security Technologies division of L3Harris (paying roughly \$1 billion). The acquisition of the Security Technologies division of L3Harris expanded the company's market presence in airport checked baggage and maintenance. In terms of Evolv Express we see Leidos competing directly in the personnel screening market with products like the ProVision2 and SafeView.

**OSI Systems (OSIS).** OSI Systems, Inc. is a leading security solutions provider based in Las Angeles, CA. The company is projected to generate \$1.2 billion in revenues in FY 2022 (June) and has a market capitalization of \$1.8 billion. OSI operates through three main divisions, Security, Healthcare, and Optoelectronics. The company's security division (55%-65% of total revenues) is the second largest provider of security inspection equipment in the world. The company provides a variety of security solutions with various applications in these areas, including security personnel screening products, parcel inspection, certified checked baggage systems, and large cargo inspection systems (OSI is the largest producer of cargo inspection equipment in the world). OSI also provides CertScan (the industry's first integrated security user interface solution based on a SaaS model) and turnkey security screening products (end to end screening solutions for any entire country) that combined generate \$70 - \$100 million in annual recurring revenues. OSI acquired Smiths Group's Explosive Trace Detection (ETD) business in 2017 which expanded the company's security footprint further into screening. OSI has roughly a 50% market share of airport security parcel inspection equipment in the US. OSI also provides security rentals for large multi-day events including past Olympic games (Salt Lake and London Olympics) and major sporting events (World Cups/World Games, PGA tour, and CrossFit Games). In terms of Evolv Express we see OSI competing directly in the personnel screening market with products like the magnetometers (walk through metal detectors), x-ray based parcel inspection equipment, and trace detection systems.

**Smiths Group (LSE:SMIN).** Smiths Group plc operates in many industries including medical technology, security and defense and is based in London, England. The company is projected to generate \$2.4 billion in revenues in 2021 and has a market capitalization of \$5.6 billion. Smiths operates through John Crane, Smiths Detection, Flex-Tek, and Smiths Interconnect divisions. Smiths Detection is the largest security solutions provider in the world offering a wide array of solutions, including security personnel screening products, parcel inspection, certified checked baggage systems, and large cargo inspection systems for a variety of applications. Smiths Detection's flagship people-screening products are the B-Scan and Ego models. The B-Scan model uses transmission X-ray technology employing very low dose rates to screen people. The B-Scan Model has a throughput rate of less than 7 seconds, coming to roughly 500 people per hour. In terms of Evolv Express we see Smiths competing directly in the personnel screening market with products like the B-Scan, x-ray based parcel inspection equipment (Smiths is the largest parcel inspection equipment producer), and through trace detection systems.


















In addition to the public competition, we discussed above, there are several private metal detector/magnetometer companies....

- CEIA (private). CEIA is a Twinsburg, Ohio based company that has been manufacturing electromagnetic inspection systems for over 50 years. The company makes a wide variety of magnetometers for many industries including food inspection and security. CEIA's metal detectors are employed in roughly 95% of US airports. A stand-alone metal detector from CEIA usually starts at a few thousand dollars. A handheld metal detector starts at a few \$100 dollars.
- Garrett Metal Detectors. Garrett Metal Detectors is a Garland, Texas based company specializing in security screening solutions. Garrett's PD 6500i is its flagship standalone metal detector and sells for around \$5,000.

On the next page is a chart that show a head-to-head comparison of Evlov Technologies to the publicly traded Security Inspection companies.



**Figure 9. Evolv Technologies Security Inspection Competitive Landscape**

				
Company				
Public or Private	Public	Public	Public	Public
Symbol	EVLV	OSIS	LDOS	LSE: SMIN
Rating	In-Line	Outperform	Not Rated	Not Rated
Stock Price	\$6.49	\$97.78	\$97.70	\$14.23
Shares Outstanding (mm)	141.0	18.4	141.6	396.4
Market Cap (mm)	\$915.1	\$1,800.1	\$13,834.3	\$5,640.8
Outstanding Debt (mm)	\$0.0	\$301.1	\$5,798.0	\$1,532.0
Cash (mm)	\$354.0	\$80.6	\$338.0	\$375.0
Enterprise Value (mm)	\$561.1	\$2,050.2	\$19,294.3	\$6,797.8
Total Revenues FY 2021(mm)	\$20.4	\$1,146.9	\$13,990.0	\$2,389.1
EBITDA FY 2021 (mm)	(\$39.2)	\$196.1	\$1,484.8	\$459.7
Gross Margin FY 2021	26%	37%	14%	40%
Est. Revenues FY 2022 (mm)	\$51.0	\$1,221.1	\$14,995.0	\$2,483.1
Est. EBITDA FY 2022 (mm)	(\$30.7)	\$217.9	\$1,597.9	\$514.4
Gross Margin FY 2022	26%	36%	14%	41%
FY 2021 EV/Revenue	27.6x	1.8x	1.4x	2.8x
Est. FY 2022 EV/Revenue	11x	1.7x	1.3x	2.7x
FY 2021 EV/EBITDA	N/A	10.5x	13x	14.8x
Est. FY 2022 EV/EBITDA	N/A	10.2x	12.1x	13.2x
Screening Solutions				
Personnel	●	●	●	●
Parcel	○	●	●	●
Checked Baggage	○	●	●	●
Cargo	○	●	●	●
Security Product Offerings				
Personnel	 Express	 Metor	 ProVision2	 B-Scan
Parcel	N/A	 Gemini 7555	 ClearScan	 HI-SCAN 100100V
Checked Baggage	N/A	 920 CT	 Reveal	 CTX 5800
Cargo	N/A	 Eagle M60	 Vacis	 CIP-300

Source: Company Reports and Imperial Capital Research

We believe Evolv Technologies has several publicly traded comparable peers that do not directly compete with Evlov but have similarities in either business models or technologies or end markets. These peers are grouped by Physical Security SaaS Solutions, Smart Home Security (SaaS based model), and Video/AI Analytics.

#### Physical Security SaaS

**Axon Enterprise, Inc. (AXON).** Axon operates through two segments, TASER (conducted energy weapons) and Software and Sensor (body cameras primarily for law enforcement) and is based in Scottsdale, AZ. The company is projected to generate \$844 million in revenues in 2021 and has a market capitalization of \$12 billion. Axon body cameras employs a recurring software and/or SaaS based model to sell its products primarily to government/law enforcement agencies. We see little direct competition between Axon and Evlov but would highlight that both companies employ a SaaS model (Evolv is a total SaaS model while Axon is only a partial SaaS).

**Shot Spotter (SSTI).** ShotSpotter is the leading provider of gunshot detection solutions, with patented, forensically admissible acoustic surveillance software based in Newark, CA. The company is projected to generate \$60 million in revenues in 2021 and has a market capitalization of ~ \$440 million. Shot Spotter employs sensors to detect, locate, and alert law enforcement agencies of illegal gunfire incidents in real time, thus freeing up police resources to better serve communities. Shot Spotter employs a recurring SaaS based model to sell its products primarily to government/law enforcement agencies. We see little direct competition between Shot Spotter and Evlov. We note both companies employ a SaaS model.

#### Smart Home Security

**Latch Inc. (LTCH).** Latch operates as an enterprise technology company focused on smart access control. Its products are deployed primarily in multi-family units and commercial offices for smart access, visitor and delivery management, smart device and sensor control, connectivity, and identity and personalization solutions and is based in New York, NY. The company is projected to generate \$40 million in revenues in 2021 and has a market capitalization of \$2.0 billion. Latch employs a recurring SaaS based model to sell its products primarily to multi-family complexes. We see no direct competition between Latch and Evlov.










**SmartRent, Inc. (SMRT – Once The company is De-SPACed).** SmartRent provides enterprise smart home and smart building technology platform for property owners, managers, and residents and is based in Scottsdale, AZ. The company is projected to generate \$119 million in revenues in 2021 (part of Fifth Wall Acquisition Corp.). SmartRent employs a recurring SaaS based model to sell its products primarily to multi-family and office complexes. We see no direct competition between SmartRent and Evlov.

#### AI Analytics

**Cognyte Software Ltd. (CGNT).** Cognyte provides security analytics software to governments and enterprises worldwide. The company was spun out from Verint System in February 2021 and is based in Herzliya, Israel. Cognyte's solutions include video and AI based solutions. The company is projected to generate \$443 million in revenues in 2021 and has a market capitalization of \$1.8 billion. Cognyte employs a recurring software and SaaS based model to sell its products primarily to government agencies. We see little direct competition between Cognyte and Evlov.

We provide a broad comparable analysis in the chart on the following page of the 4 categories: Security Inspection, Physical Security SaaS, Smart Home Security, and AI Analytics.

**Figure 10. Evolv Technologies Valuation**

	Security Inspection Competitors				Physical Sec. SaaS		Smart Home Security		AI Analytics
Company									
Public or Private	Public	Public	Public	Public	Public	Public	Public	Public	Public
Symbol	EVLV	OSIS	LDOS	LSE: SMIN	AXON	SSTI	LTCH	SMRT	CGNT
Rating	In-Line	Outperform	Not Rated	Not Rated	Not Rated	Outperform	Not Rated	Not Rated	Outperform
Stock Price	\$6.49	\$97.78	\$97.70	\$14.23	\$182.67	\$37.61	\$13.91	NA	\$26.68
Shares Outstanding (mm)	141.0	18.4	141.6	396.4	65.7	11.7	141.3	193.7	66.0
Market Cap (mm)	\$915.1	\$1,800.1	\$13,834.3	\$5,640.8	\$12,001.4	\$440.0	\$1,965.5	NA	\$1,760.9
Outstanding Debt (mm)	\$0.0	\$301.1	\$5,798.0	\$1,532.0	\$6.4	\$0.6	\$0.0	\$0.0	\$3.3
Cash (mm)	\$354.0	\$80.6	\$338.0	\$375.0	\$655.3	\$15.6	\$472.0	\$450.0	\$69.1
Enterprise Value (mm)	\$561.1	\$2,050.2	\$19,294.3	\$6,797.8	\$11,352.5	\$425.0	\$1,493.5	NA	\$1,695.1
Total Revenues FY 2021(mm)	\$20.4	\$1,146.9	\$13,990.0	\$2,389.1	\$843.9	\$60.0	\$40.7	\$119.0	\$443.3
EBITDA FY 2021 (mm)	(\$39.2)	\$196.1	\$1,484.8	\$459.7	\$159.8	\$13.4	-\$100.4	-\$22.0	\$88.9
Gross Margin FY 2021	26%	37%	14%	40%	62%	58%	10%	13%	71%
Est. Revenues FY 2022 (mm)	\$51.0	\$1,221.1	\$14,995.0	\$2,483.1	\$962.4	\$69.0	\$153.6	\$342.0	\$485.3
Est. EBITDA FY 2022 (mm)	(\$30.7)	\$217.9	\$1,597.9	\$514.4	\$189.1	\$16.9	-\$120.0	\$9.0	\$89.6
Gross Margin FY 2022	<b>26%</b>	<b>36%</b>	<b>14%</b>	<b>41%</b>	<b>62%</b>	<b>59%</b>	<b>20%</b>	<b>23%</b>	<b>72%</b>
FY 2021 EV/Revenue	27.6x	1.8x	1.4x	2.8x	13.5x	7.1x	36.7x	NA	3.8x
Est. FY 2022 EV/Revenue	<b>11x</b>	<b>1.7x</b>	<b>1.3x</b>	<b>2.7x</b>	<b>11.8x</b>	<b>6.2x</b>	<b>9.7x</b>	<b>NA</b>	<b>3.5x</b>
FY 2021 EV/EBITDA	N/A	10.5x	13x	14.8x	71x	31.7x	-14.9x	NA	19.1x
Est. FY 2022 EV/EBITDA	N/A	10.2x	12.1x	13.2x	60x	25.2x	-12.4x	NA	18.9x

Source: Imperial Capital Research, Not-Rated company estimates from Capital IQ consensus/company guidance.

## Valuation

Shares of EVLV are currently trading at 27.6x EV/Revenue in 2021 and 11.0x EV/Revenue in 2022. We believe shares of EVLV should be valued at 25x on an EV/Revenue based on 2022 estimates. Evolv is projected to grow more than 100% per year over the next 5 years. We believe it is reasonable that if management meets or exceeds guidance through 2022 then shares of EVLV will be valued at a premium to its peers (peers are currently trading between 1x-12x EV/Revenue in 2022).

## Management Team

### **Peter George – President and Chief Executive Officer**

Peter George served as Evolv's Chief Commercial Officer from February to December 2019 before assuming his role as President and CEO in January of 2020. Prior to joining Evolv, Mr. George was the President, CEO, and Chairman of Fidelis Cybersecurity from 2008 to 2019. Additionally, Mr. George served as the CEO of Empow Cybersecurity from March to November of 2018, and currently serves on the Board of Directors of Corero Network Security PLC, doing so since 2019. Mr. George earned his BA in History from the College of the Holy Cross in 1981.

### **Peter Faubert – Chief Financial Officer**

Mr. Faubert assumed his role as Evolv's CFO in October of 2019. Prior to joining Evolv, Mr. Faubert served as the CFO and Senior Vice President of SeaChange International, Inc., from 2016 to 2019 and served in the office of the CEO for a few months in 2019 as well. Mr. Faubert served as the CFO of This Technology from 2013 to 2015 prior to the company being acquired by Comcast Corporation. Before this role, Mr. Faubert served as Vision Government Solution's CFO and Treasurer. Mr. Faubert currently serves on the Board of Directors of Aware Inc. (AWRE), a leading identity verification and management solutions provider. Mr. Faubert earned his BS in Finance and Accounting from Northeastern University in 1997.

### **Anil R. Chitkara- Co-Founder, Head of Corporate Development**

Mr. Chitkara co-founded Evolv Technologies alongside Michael Philip Ellenbogen in 2013 and has held the role of Head of Corporate Development since that time. Prior to co-founding Evolv, Mr. Chitkara was the Senior Vice President, Market Development of Oco, Inc., a business analytics software provider, from 2007-2011. The company was subsequently acquired by Deloitte. Prior to this role, Mr. Chitkara was the Vice President of Parametric Technology Corporation from 2001 to 2007. Mr. Chitkara received his BS in Business Administration from Boston University in 1989 and his MBA from Dartmouth's Tuck School of Business in 1994.

### **Michael Philip Ellenbogen- Co-founder, Head of Advanced Technology**

Mr. Ellenbogen co-founded Evolv with Anil Chitkara in 2013 and has held his current role as the company's Head of Advanced Technology since January of 2020. Prior to assuming this role, Mr. Ellenbogen was the company's CEO beginning in 2013 with the company's founding. Prior to co-founding Evolv, Mr. Ellenbogen was the founder and CEO of Reveal Imaging Technologies, an X-ray imaging company focused on automotive explosives detection. Prior to joining Revel, Mr. Ellenbogen was the Vice President of Research and Development of PerkinElmer Detection Systems from 1994 to 2002. Additionally, Mr. Ellenbogen is an inventor with 19 awarded patents. Mr. Ellenbogen earned his BS in Physics from Colgate University in 1986.

**Figure 11. Evolv Technologies— Financial Summary**

FY: Dec	2019	2020	1Q21	2Q21	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
<b>Revenues:</b>													
Product Revenues	4,192	1,279	2,502	2,452	2,952	3,452	11,358	4,457	6,457	8,457	10,457	29,828	75,328
% of Revenue	71.7%	26.7%	62.6%	54.7%	53.9%	53.7%	55.7%	50.7%	54.3%	60.0%	64.2%	58.4%	56.7%
Subscription Revenue	1,096	2,637	1,300	1,513	1,713	1,963	6,489	2,963	3,963	4,063	4,163	15,152	41,552
% of Revenue	18.7%	55.1%	32.5%	33.8%	31.3%	30.5%	31.8%	33.7%	33.3%	28.8%	25.6%	29.7%	31.3%
Service Revenue	558	869	197	515	815	1,015	2,542	1,365	1,465	1,565	1,665	6,060	15,960
% of Revenue	9.5%	18.2%	4.9%	11.5%	14.9%	15.8%	12.5%	15.5%	12.3%	11.1%	10.2%	11.9%	12.0%
<b>Total Revenues</b>	<b>5,846</b>	<b>4,785</b>	<b>3,999</b>	<b>4,480</b>	<b>5,480</b>	<b>6,430</b>	<b>20,389</b>	<b>8,785</b>	<b>11,885</b>	<b>14,085</b>	<b>16,285</b>	<b>51,040</b>	<b>132,840</b>
% change Y/Y	NM	-18%	NM	NM	NM	NM	326%	120%	165%	157%	153%	150%	160%
<b>Cost of Goods Sold:</b>													
Products	4,246	1,177	2,229	2,075	2,494	2,900	9,698	3,744	5,424	7,104	8,784	25,056	60,262
% of COGS	80.2%	33.7%	89.1%	84.6%	84.5%	84.0%	85.4%	84.0%	84.0%	84.0%	84.0%	84.0%	80.0%
Subscriptions	530	1,824	595	861	942	1,080	3,478	1,600	2,100	2,153	2,206	8,060	19,945
% of COGS	10.0%	52.2%	45.8%	56.9%	55.0%	55.0%	53.6%	54.0%	53.0%	53.0%	53.0%	53.2%	48.0%
Services	518	495	127	413	652	812	2,004	1,092	1,172	1,252	1,332	4,848	12,768
% of COGS	9.8%	14.2%	64.5%	80.2%	80.0%	80.0%	78.8%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
<b>Total Cost of Goods Sold</b>	<b>5,294</b>	<b>3,496</b>	<b>2,951</b>	<b>3,349</b>	<b>4,089</b>	<b>4,791</b>	<b>15,180</b>	<b>6,436</b>	<b>8,696</b>	<b>10,509</b>	<b>12,322</b>	<b>37,964</b>	<b>92,975</b>
% change Y/Y	NM	-34%	NM	NM	NM	NM	334%	NM	NM	NM	NM	150%	145%
<b>Gross Profit</b>	<b>552</b>	<b>1,289</b>	<b>1,048</b>	<b>1,131</b>	<b>1,391</b>	<b>1,639</b>	<b>5,209</b>	<b>2,349</b>	<b>3,189</b>	<b>3,576</b>	<b>3,963</b>	<b>13,076</b>	<b>39,865</b>
% of revenue	9.4%	26.9%	26.2%	25.2%	25.4%	25.5%	25.5%	26.7%	26.8%	25.4%	24.3%	25.6%	30.0%
<b>Operating Expenses:</b>													
Research and Development	8,496	15,710	3,684	5,090	6,440	7,640	22,854	6,640	6,641	6,642	6,742	26,665	16,368
% of revenue	145.3%	328.3%	92.1%	113.6%	117.5%	118.8%	112.1%	75.6%	55.9%	47.2%	41.4%	52.2%	12.3%
Sales and Marketing	6,589	7,365	3,612	1,077	3,677	5,177	13,543	4,177	4,178	4,179	4,279	16,813	17,822
% of revenue	112.7%	153.9%	90.3%	24.0%	67.1%	80.5%	66.4%	47.5%	35.2%	29.7%	26.3%	32.9%	13.4%
General and Administrative	3,866	5,110	2,899	1,280	2,530	4,030	10,739	3,285	3,286	3,287	3,387	13,245	14,774
% of revenue	66.1%	106.8%	72.5%	28.6%	46.2%	62.7%	52.7%	37.4%	27.6%	23.3%	20.8%	26.0%	11.1%
<b>Total Operating Expenses</b>	<b>18,951</b>	<b>28,185</b>	<b>10,195</b>	<b>7,447</b>	<b>12,647</b>	<b>16,847</b>	<b>47,136</b>	<b>14,102</b>	<b>14,105</b>	<b>14,108</b>	<b>14,408</b>	<b>56,723</b>	<b>48,964</b>
<b>Operating Income</b>	<b>(18,399)</b>	<b>(26,896)</b>	<b>(9,147)</b>	<b>(6,316)</b>	<b>(11,256)</b>	<b>(15,208)</b>	<b>(41,927)</b>	<b>(11,753)</b>	<b>(10,916)</b>	<b>(10,532)</b>	<b>(10,445)</b>	<b>(43,647)</b>	<b>(9,099)</b>
% of revenue	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Interest (Income) and Other Expense	(779)	(430)	2,447	3,255	(250)	(250)	5,202	(250)	(250)	(225)	(225)	(950)	(900)
Loss on Extinguishment of Debt	(679)	(66)	0	11,820	500	500	12,820	0	0	0	0	0	0
Change in Fair Value of Derivative Liability			1,425	795	0	0	2,220	0	0	0	0	0	0
Change in Fair Value of Comm. Stock Warrant Liability			736	185	0	0	921	0	0	0	0	0	0
<b>Total Other Expenses</b>	<b></b>	<b></b>	<b>4,608</b>	<b>16,055</b>	<b>250</b>	<b>250</b>	<b>21,163</b>	<b>(250)</b>	<b>(250)</b>	<b>(225)</b>	<b>(225)</b>	<b>(950)</b>	<b>(900)</b>
<b>Income Before Taxes</b>	<b>(19,857)</b>	<b>(27,392)</b>	<b>(13,755)</b>	<b>(22,371)</b>	<b>(11,506)</b>	<b>(15,458)</b>	<b>(63,090)</b>	<b>(11,503)</b>	<b>(10,666)</b>	<b>(10,307)</b>	<b>(10,220)</b>	<b>(42,697)</b>	<b>(8,199)</b>
% of revenue	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
<b>Provision for income taxes</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Tax rate	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
<b>GAAP Net income</b>	<b>(19,857)</b>	<b>(27,392)</b>	<b>(13,755)</b>	<b>(22,371)</b>	<b>(11,506)</b>	<b>(15,458)</b>	<b>(63,090)</b>	<b>(11,503)</b>	<b>(10,666)</b>	<b>(10,307)</b>	<b>(10,220)</b>	<b>(42,697)</b>	<b>(8,199)</b>
Shares Outstanding (GAAP)	22,656	23,625	27,500	31,540	126,000	151,000	84,010	152,000	153,000	154,000	155,000	153,500	156,750
<b>GAAP EPS</b>	<b>(0.88)</b>	<b>(1.16)</b>	<b>(0.50)</b>	<b>(0.71)</b>	<b>(0.09)</b>	<b>(0.10)</b>	<b>(0.75)</b>	<b>(0.08)</b>	<b>(0.07)</b>	<b>(0.07)</b>	<b>(0.07)</b>	<b>(0.28)</b>	<b>(0.05)</b>
<b>EBITDA</b>													
Operating Income	(18,399)	(26,896)	(9,147)	(6,316)	(11,256)	(15,208)	(41,927)	(11,753)	(10,916)	(10,532)	(10,445)	(43,647)	(9,099)
Depreciation and Amortization	699	1,396	551	551	701	951	2,754	3,004	3,254	3,304	3,354	12,916	13,676
<b>EBITDA</b>	<b>(17,700)</b>	<b>(25,500)</b>	<b>(8,596)</b>	<b>(5,765)</b>	<b>(10,555)</b>	<b>(14,257)</b>	<b>(39,173)</b>	<b>(8,749)</b>	<b>(7,662)</b>	<b>(7,228)</b>	<b>(7,091)</b>	<b>(30,731)</b>	<b>4,577</b>
EBITDA Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

Sources: Company filings and Imperial Capital Research



### *Risk Factors*

- COVID could cause future disruption to the supply chain and delays in organizations opening venues where large numbers of individuals gather. Prolonged shutdowns or other business disruptions could materially impact the company's performance.
- The personnel screening solutions market is extremely competitive, making it imperative for the company to gain sufficient new customers, retain existing customers, and take market share from its competitors. In addition, the company is providing a new type of solution and introducing a new pricing model to an established industry. If the company is unable to gain sufficient new customers while simultaneously retaining existing customers, then revenue growth may be hampered.
- This is an emerging solution with limited historical revenues. Sales cycles can be long and unpredictable. As a result, sales and revenue may be lumpy and difficult to predict.
- The company currently produces substantially all its revenues from one product, the Evolv Express. If the company fails to innovate and add new products or technologies, then the market opportunity could be limited. In addition, if the company has technical problems with this single solution, then current and projected revenues could be impacted.

Companies under coverage: Brian Rutenbur: AeroVironment (AVAV), Ambarella (AMBA), ADT Inc. (ADT), Alarm.com (ALRM), Allegion plc (ALLE), Cognyte Software (CGNT.O), Evolv Technologies Holding, Inc. (EVLV), Identiv Inc. (INVE), Napco Security Technologies, Inc. (NSSC), OSI Systems (OSIS), Resideo Technologies, Inc. (REZI), ShotSpotter (SSTI), Universal Electronics (UEIC), and Vivint Smart Home (VVNT)

# Important Disclosures, Certifications and Other Information

## Ratings Distribution and Definitions

Equity Ratings Definitions (as of 7/1/09)		
Outperform	81.82%	<b>Outperform:</b> TRR expected to exceed basket by at least 10%
In-Line	18.18%	<b>In-Line:</b> TRR expected to be in-line with basket
Underperform	0.00%	<b>Underperform:</b> TRR expected to underperform basket by at least 10%
This Equity Ratings Distribution reflects the percentage distribution for rated equity securities for the twelve month period 7/1/20 through 6/30/21. Rating definitions are expressed as the total rate of return (TRR) relative to the expected performance of a basket of like securities over a 12-month period. Within the twelve month period ended 6/30/21, IC has provided investment banking services to 22.22% of companies with equity rated an Outperform, 0.00% of companies with equity rated an Underperform, and 18.18% of companies with equity rated an In-Line. As of 6/30/21.		
Fixed Income Ratings Definitions and Equity Ratings Definitions (prior to 7/1/09)		
<b>Buy:</b> TRR expected to exceed basket by at least 10%		
<b>Hold:</b> TRR expected to be in-line with basket		
<b>Sell:</b> TRR expected to underperform basket by at least 10%		
Rating definitions are expressed as the total rate of return (TRR) relative to the expected performance of a basket of like securities over a 12-month period. Please refer to our publication dated 7/1/09 for details associated with the transition of our Equity Ratings to the current definitions.		

**For a discussion of the valuation methods used to determine our price target, if any, please see page(s) 12. See page 14 for the risks that may impede achievement of such price target.**

**Analyst Certification:** Each research analyst whose name appears in bold on the front page certifies that: (1) the views expressed in this report reflect the analyst's personal views about the subject securities or issuers; and (2) none of the analyst's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed herein. The analyst(s) responsible for the preparation of this report receive(s) compensation primarily based upon individual performance (e.g., productivity and quality of work) and the overall financial performance of Imperial Capital, LLC, including overall revenues from investment banking activities.

### COMPANY

### DISCLOSURE

Evolv Technologies	None
<sup>1</sup> As of the date hereof, the analyst or other Imperial Capital, LLC (IC) or Imperial Capital Asset Management, LLC (ICAM) employee who assisted in the drafting of this report (or a member of his/her household) has a financial interest in the securities of this entity. <sup>2</sup> IC makes a market in the debt securities of this entity. <sup>3</sup> IC makes a market in the equity securities of this entity. <sup>4</sup> As of 7/31/21, IC or its affiliates beneficially own 1% or more of any class of common equity securities of this entity. <sup>5</sup> IC has managed or co-managed a public offering or Rule 144A offering of securities for this entity during the past 12 months. <sup>6</sup> IC has received compensation for investment banking services from this entity during the past 12 months. <sup>7</sup> IC expects to receive or intends to seek compensation for investment banking services from this entity within the next three months. <sup>8</sup> IC or its affiliates has received compensation for products or services other than investment banking services from this entity during the past 12 months. <sup>9</sup> IC had a [investment banking services] [non-investment banking securities-related services] [non-securities services] client relationship with this entity during the past 12 months. <sup>10</sup> As of the date hereof, the analyst or other IC or ICAM employee who assisted in the drafting of this report (or a member of his/her household) serves as an officer, director or advisory board member of this entity. <sup>11</sup> IC had (and/or currently has) a financial advisory relationship with certain creditors or equity holders with respect to the entity during the past 12 months. <b>Compendium Disclosure:</b> Securities of issuers in this report, in addition to the subject issuer, may be rated by IC or its affiliate. Please see disclosures, price charts, and ratings histories for those issuers in our previously-published research reports, available by contacting your account executive at 1-800-929-2299, or on IC's Web site at <a href="http://www.imperialcapital.com">www.imperialcapital.com</a> .	

\*Disclosure items appropriate to each entity, if any, are indicated.

The table above discloses IC's or its affiliate's ownership, if any, of securities mentioned herein. While this report is in circulation, IC or its affiliates may, from time to time, make purchases or sales for their own accounts of securities of any entity. The table above also discloses, as of the date hereof, whether or not IC makes a market in any of the securities mentioned herein. IC's market making may constitute, in the case of equity securities and certain debt securities, standing ready to make purchases or sales of securities on a regular or continuous basis or quoting markets in debt securities. Notwithstanding IC's market making activities as of the date hereof, while this report is in circulation IC may begin or discontinue such market making activity for any entity.

This report was jointly prepared pursuant to an intercompany agreement with IC's affiliate, Imperial Capital Asset Management, LLC (ICAM), a SEC registered investment advisor. The analyst who prepared this report is an associated person of ICAM. From time to time, ICAM may accept payments from customers for generic investment advice contained in this report. None of the analyst's compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed herein. This report is for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of an offer to buy any security. While the information contained in this report has been obtained from sources believed to be reliable, we do not represent or guarantee that the report is accurate or complete, and it should not be relied upon as such. Any references or citations to, or excerpts from, third-party information or data sources (including, but not limited to, Bloomberg, Capital IQ and IBISWorld) do not and are not intended to provide financial or investment advice and are not to be relied upon by anyone as providing financial or investment advice. Based on public information available to us, prices and opinions expressed in this report reflect judgments as of the date hereof and are subject to change without notice. The securities covered by or mentioned in this report involve substantial risk and should generally be purchased only by investors able to accept such risk. **This research report and the securities mentioned herein, some of which may not be registered under the Securities Act of 1933, are intended only for Qualified Institutional Buyers (QIBs), as defined under Rule 144A.** Any opinions expressed assume that this type of investment is suitable for the investor. This report may be the last or only report covering the issuer(s), industries sectors and/or securities discussed. Decisions to cease coverage are based on a variety of factors. IC and ICAM's research coverage is opportunistic in nature and analysts generally are not assigned continuing-coverage responsibilities for any issuer, industry, sector or security. As a result, coverage of such issues is frequently characterized by either isolated reports or long periods between reports. IC's and ICAM's views of a security, issuer, industry or sector may change without the issuance of a new report. If you would like to know whether IC's and ICAM's views have changed, please call us at (310) 246-3700.

Imperial Capital, LLC is a member of FINRA ([www.finra.org](http://www.finra.org)) and SIPC ([www.sipc.org](http://www.sipc.org))

© Copyright 2021 Imperial Capital, LLC and Imperial Capital Asset Management, LLC