

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

FORM 10-Q

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

For the quarterly period ended September 30, 2025

OR

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

For the transition period from _____ to _____

Commission File No. 001-38823

HYLIION HOLDINGS CORP.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

83-2538002

(State or Other Jurisdiction
of Incorporation)

(IRS Employer
Identification No.)

1202 BMC Drive, Suite 100,
Cedar Park, TX

78613

(Address of Principal Executive Offices)

(Zip Code)

(833) 495-4466

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	HYLN	NYSE American LLC

As of November 4, 2025, 175,974,228 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

HYLIION HOLDINGS CORP.
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2025
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2025 (Unaudited)	December 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 17,878	\$ 9,227
Accounts receivable	726	1,923
Prepaid expenses and other current assets	4,238	6,401
Short-term investments	87,121	110,918
Assets held for sale	—	2,563
Total current assets	109,963	131,032
Property and equipment, net	41,604	25,920
Operating lease right-of-use assets	3,959	5,431
Other assets	964	1,079
Long-term investments	59,743	99,584
Total assets	\$ 216,233	\$ 263,046
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 2,052	\$ 5,243
Current portion of operating lease liabilities	2,644	2,426
Accrued expenses and other current liabilities	5,287	6,622
Total current liabilities	9,983	14,291
Operating lease liabilities, net of current portion	2,353	4,366
Other liabilities	41	—
Total liabilities	12,377	18,657
Commitments and contingencies (Note 10)		
Stockholders' equity		
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 186,582,398 and 184,428,472 shares issued at September 30, 2025 and December 31, 2024, respectively; 175,972,328 and 173,818,402 shares outstanding as of September 30, 2025 and December 31, 2024, respectively	19	18
Additional paid-in capital	411,786	408,315
Treasury stock, at cost; 10,610,070 and 10,610,070 shares as of September 30, 2025 and December 31, 2024, respectively	(14,132)	(14,132)
Accumulated deficit	(193,817)	(149,812)
Total stockholders' equity	203,856	244,389
Total liabilities and stockholders' equity	\$ 216,233	\$ 263,046

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues				
Research and development services	\$ 759	\$ —	\$ 2,763	\$ —
Total revenues	759	—	2,763	—
Cost of revenues				
Research and development services	806	—	2,667	—
Total cost of revenues	806	—	2,667	—
Gross (loss) profit	(47)	—	96	—
Operating expenses				
Research and development	10,136	9,462	32,503	25,741
Selling, general and administrative	5,184	5,648	17,228	18,502
Exit and termination (benefits) costs	(70)	(929)	1,007	2,946
Total operating expenses	15,250	14,181	50,738	47,189
Loss from operations	(15,297)	(14,181)	(50,642)	(47,189)
Interest income	1,960	2,979	6,637	9,504
Gain on disposal of assets	—	—	—	3
Other income, net	—	—	—	32
Net loss	<u>\$ (13,337)</u>	<u>\$ (11,202)</u>	<u>\$ (44,005)</u>	<u>\$ (37,650)</u>
Net loss per share, basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.25)</u>	<u>\$ (0.21)</u>
Weighted-average shares outstanding, basic and diluted	<u>175,652,193</u>	<u>173,612,768</u>	<u>175,106,583</u>	<u>175,302,069</u>

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

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

Nine Months Ended September 30, 2025								
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount				
Balance at December 31, 2024	184,428,472	\$ 18	(10,610,070)	\$ (14,132)	\$ 408,315	\$ (149,812)	\$	244,389
Exercise of common stock options and vesting of restricted stock units, net	1,414,392	1	—	—	(444)	—		(443)
Share-based compensation	—	—	—	—	1,295	—		1,295
Net loss	—	—	—	—	—	(17,254)		(17,254)
Balance at March 31, 2025	185,842,864	\$ 19	(10,610,070)	\$ (14,132)	\$ 409,166	\$ (167,066)	\$	227,987
Exercise of common stock options and vesting of restricted stock units, net	203,342	—	—	—	(89)	—		(89)
Share-based compensation	—	—	—	—	1,386	—		1,386
Net loss	—	—	—	—	—	(13,414)		(13,414)
Balance at June 30, 2025	186,046,206	\$ 19	(10,610,070)	\$ (14,132)	\$ 410,463	\$ (180,480)	\$	215,870
Exercise of common stock options and vesting of restricted stock units, net	536,192	—	—	—	(55)	—		(55)
Share-based compensation	—	—	—	—	1,378	—		1,378
Net loss	—	—	—	—	—	(13,337)		(13,337)
Balance at September 30, 2025	186,582,398	\$ 19	(10,610,070)	\$ (14,132)	\$ 411,786	\$ (193,817)	\$	203,856

Nine Months Ended September 30, 2024								
	Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity	
	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	183,071,317	\$ 18	(37,062)	\$ (33)	\$ 404,045	\$ (97,764)	\$	306,266
Exercise of common stock options and vesting of restricted stock units, net	945,378	—	—	—	(247)	—		(247)
Share-based compensation	—	—	—	—	1,320	—		1,320
Repurchase of treasury stock	—	—	(8,675,395)	(11,337)	—	—		(11,337)
Net loss	—	—	—	—	—	(15,592)		(15,592)
Balance at March 31, 2024	184,016,695	\$ 18	(8,712,457)	\$ (11,370)	\$ 405,118	\$ (113,356)	\$	280,410
Exercise of common stock options and vesting of restricted stock units, net	138,419	—	—	—	(68)	—		(68)
Share-based compensation	—	—	—	—	1,125	—		1,125
Repurchase of treasury stock	—	—	(1,897,613)	(2,771)	—	—		(2,771)
Net loss	—	—	—	—	—	(10,856)		(10,856)
Balance at June 30, 2024	184,155,114	\$ 18	(10,610,070)	\$ (14,141)	\$ 406,175	\$ (124,212)	\$	267,840

Exercise of common stock options and vesting of restricted stock units, net	180,069	—	—	—	(12)	—	(12)
Share-based compensation	—	—	—	—	1,096	—	1,096
Repurchase of treasury stock	—	—	—	6	—	—	6
Net loss	—	—	—	—	—	(11,202)	(11,202)
Balance at September 30, 2024	<u>184,335,183</u>	<u>\$ 18</u>	<u>(10,610,070)</u>	<u>\$ (14,135)</u>	<u>\$ 407,259</u>	<u>\$ (135,414)</u>	<u>\$ 257,728</u>

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

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

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities		
Net loss	\$ (44,005)	\$ (37,650)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,066	2,140
Amortization and accretion of investments, net	(1,258)	(2,489)
Noncash lease expense	1,472	1,291
Gain on disposal of assets, including assets held for sale	(697)	(2,109)
Share-based compensation	4,059	3,541
Carrying value adjustment to assets held for sale	1,590	5,564
Changes in operating assets and liabilities:		
Accounts receivable	1,200	(580)
Prepaid expenses and other assets	2,474	(5,215)
Accounts payable	457	(2,655)
Accrued expenses and other liabilities	(2,254)	(4,018)
Operating lease liabilities	(1,795)	(1,111)
Net cash used in operating activities	(34,691)	(43,291)
Cash flows from investing activities		
Purchase of property and equipment	(22,003)	(10,548)
Proceeds from sale of property and equipment	1,192	4,110
Receipt of security deposit	41	—
Purchase of investments	(36,326)	(55,383)
Proceeds from sale and maturity of investments	101,026	126,686
Net cash provided by investing activities	43,930	64,865
Cash flows from financing activities		
Proceeds from exercise of common stock options	—	67
Taxes paid related to net share settlement of equity awards	(588)	(393)
Repurchase of treasury stock	—	(13,982)
Net cash used in financing activities	(588)	(14,308)
Net increase in cash and cash equivalents and restricted cash	8,651	7,266
Cash and cash equivalents and restricted cash, beginning of period	9,892	21,464
Cash and cash equivalents and restricted cash, end of period	\$ 18,543	\$ 28,730
Supplemental disclosure of noncash investing and financing activities:		
Repurchase of treasury stock included in accrued expenses	\$ —	\$ 120
Acquisitions of property and equipment included in accounts payable and accrued expenses and other current liabilities	\$ 950	\$ 227

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

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

Note 1. Overview

Hyliion Holdings Corp. is a Delaware corporation headquartered in Cedar Park, Texas, with research and development (“R&D”) facilities in Cincinnati, Ohio, that designs and develops the KARNO™ Power Module for stationary and mobile applications and provides R&D services. References to the “Company,” “Hyliion,” “we,” “our,” or “us” in this report refer to Hyliion Holdings Corp. and its wholly owned subsidiary, unless expressly indicated or the context otherwise requires.

The KARNO Power Module is a complete, fully integrated, enclosed, fuel agnostic power generating solution, including balance of plant such as cooling system, controls, fuel handling, and air handling systems, that generates electricity on command in stationary power generation applications powered by KARNO Cores. The KARNO Core is a linear generator that generates its own heat, and converts thermal energy generated from oxidization of fuels into electrical energy. It uses linear electric motors in a four-shaft system to generate electricity via a flameless oxidation process, achieving near zero emissions without emissions treatment systems.

Note 2. Disposals

On November 7, 2023, the Board of the Company approved a strategic plan to wind down its powertrain business and preserve the related intellectual property (the “Plan”). As part of the Plan, the Company will continue to focus on commercialization of its KARNO Power Module technology. We have not accounted for the impacts of the Plan as a discontinued operation through September 30, 2025 as we have not abandoned or sold the underlying intellectual property and continue wind down activities. We expect to complete wind down activities in the fourth quarter of fiscal year 2025.

Total charges and (benefits) expenses related to the Plan of \$(0.1) million and \$(0.9) million for the three months ended September 30, 2025 and 2024, respectively, and \$1.0 million and \$2.9 million for the nine months ended September 30, 2025 and 2024, respectively, inclusive of recoveries from assets sold and charges to assets held for sale discussed below, are included in exit and termination costs in the condensed consolidated statements of operations. The change in total liabilities associated with the Plan is included within accrued expenses and other current liabilities as presented in Note 9, and accounts payable, and is summarized as follows (in millions):

	June 30, 2025	Charged to Expense	Costs Paid or Settled	September 30, 2025
Contract terminations	\$ 0.1	\$ —	\$ (0.1)	\$ —
Warranty obligations	—	—	—	—
	<u>\$ 0.1</u>	<u>\$ —</u>	<u>\$ (0.1)</u>	<u>\$ —</u>

	March 31, 2025	Charged to Expense	Costs Paid or Settled	June 30, 2025
Contract terminations	\$ 0.1	\$ 0.1	\$ (0.1)	\$ 0.1
Warranty obligations	0.1	(0.1)	—	—
	<u>\$ 0.2</u>	<u>\$ —</u>	<u>\$ (0.1)</u>	<u>\$ 0.1</u>

	December 31, 2024	Charged to Expense	Costs Paid or Settled	March 31, 2025
Employee severance and retention	\$ 0.1	\$ —	\$ (0.1)	\$ —
Contract terminations	0.6	—	(0.5)	0.1
Warranty obligations	0.1	—	—	0.1
	<u>\$ 0.8</u>	<u>\$ —</u>	<u>\$ (0.6)</u>	<u>\$ 0.2</u>

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

	June 30, 2024	Charged to Expense	Costs Paid or Settled	September 30, 2024
Employee severance and retention	\$ 0.4	\$ —	\$ (0.1)	\$ 0.3
Contract terminations	1.0	—	(0.2)	0.8
Warranty obligations	0.1	—	—	0.1
	<u>\$ 1.5</u>	<u>\$ —</u>	<u>\$ (0.3)</u>	<u>\$ 1.2</u>
	March 31, 2024	Charged to Expense	Costs Paid or Settled	June 30, 2024
Employee severance and retention	\$ 0.7	\$ —	\$ (0.3)	\$ 0.4
Contract terminations	2.1	—	(1.1)	1.0
Warranty obligations	0.1	—	—	0.1
	<u>\$ 2.9</u>	<u>\$ —</u>	<u>\$ (1.4)</u>	<u>\$ 1.5</u>
	December 31, 2023	Charged to Expense	Costs Paid or Settled	March 31, 2024
Employee severance and retention	\$ 1.1	\$ —	\$ (0.4)	\$ 0.7
Contract terminations	6.5	(0.7)	(3.7)	2.1
Warranty obligations	0.4	(0.3)	—	0.1
	<u>\$ 8.0</u>	<u>\$ (1.0)</u>	<u>\$ (4.1)</u>	<u>\$ 2.9</u>

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

Assets Held for Sale

Certain assets of our powertrain business, including Class 8 semi-trucks and capital equipment, continue to be actively marketed for sale, and we are actively locating buyers for these assets. At the time of initial classification as held for sale at March 31, 2024, we estimated that the sale of these assets was expected to be completed within one year and it was unlikely that significant changes to the plan of sale would be made. Due to increased uncertainty regarding the timing of the disposition, driven by deteriorating market conditions in the electric vehicle industry, we reclassified assets previously recorded as held for sale totaling \$1.0 million to property and equipment, net, on the condensed consolidated balance sheets, and recognized charges of \$1.6 million during the three months ended March 31, 2025.

We had assets held for sale of nil and \$2.6 million consisting of property and equipment in connection with the Plan at their fair value less costs to sell on the condensed consolidated balance sheets at September 30, 2025 and December 31, 2024, respectively. We used fair value hierarchy Level III inputs including comparable assets, adjusted for condition, and recorded charges of nil, for the three months ended September 30, 2025 and 2024, respectively, and \$1.6 million and \$5.6 million for the nine months ended September 30, 2025 and 2024, respectively, included in exit and termination costs in the condensed consolidated statements of operations.

We recorded net benefits for recoveries related to asset sales of \$0.4 million and \$0.9 million for the three months ended September 30, 2025 and 2024, respectively, and \$1.0 million and \$2.1 million for the nine months ended September 30, 2025 and 2024, respectively, included in exit and termination costs in the condensed consolidated statements of operations and in gain on disposal of assets, including assets held for sale in the condensed consolidated statements of cash flows.

Note 3. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Hyliion Holdings Corp. and its wholly owned subsidiary. Intercompany transactions and balances have been eliminated upon consolidation. The condensed consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and in accordance with the rules and regulations of the United States Securities and Exchange Commission (“SEC”), which permit reduced disclosure for interim periods. The condensed consolidated balance sheet at December 31, 2024 was derived from audited financial statements for the fiscal year then ended, but does not include all necessary disclosures required with respect to annual financial statements. In the opinion of the

Company, these condensed consolidated financial statements include all recurring adjustments and normal accruals necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the dates and periods presented. These condensed consolidated financial statements and accompanying notes should be read in conjunction with the Company's 2024 Annual Report. Results for interim periods are not necessarily indicative of the results to be expected for a full fiscal year or for any future period.

These condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company is an early-stage growth company and has generated negative cash flows from operating activities since inception. At September 30, 2025, the Company had total equity of \$203.9 million, inclusive of cash and cash equivalents of \$17.9 million and total investments of \$146.9 million. Based on this, the Company has sufficient funds to continue to execute its business strategy for the next twelve months from the issuance date of the financial statements included in this Quarterly Report on Form 10-Q.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as reported amounts of expenses during the reporting period. The Company's most significant estimates and judgments involve assets held for sale, income taxes and valuation of share-based compensation. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to the Company's condensed consolidated financial statements.

Segment Information

ASC 280, *Segment Reporting*, defines operating segments as components of an enterprise where discrete financial information is available that is evaluated regularly by the chief operating decision-maker ("CODM") in deciding how to allocate resources and in assessing performance. The Company operates as a single operating segment from which all revenue and net income (loss) is derived and for which all assets are attributed. The Company's CODM is the chief executive officer, who has ultimate responsibility for the operating performance of the Company and the allocation of resources. The CODM uses net income (loss) to manage the business and does not segment the business for internal reporting or decision making.

The significant expense categories and amounts that are regularly provided to the CODM and included in the reported measure of segment loss for the three and nine months ended September 30, 2025 and 2024 are summarized as follows (in millions):

	Three Months Ended September 30,	
	2025	2024
Total revenues	\$ 0.8	\$ —
Total cost of revenues	0.8	—
Gross profit	—	—
Administrative and office	1.6	1.9
Depreciation and amortization	1.7	0.8
Facilities	1.3	1.3
Personnel	5.7	5.1
Product development, exclusive of other costs presented	3.6	4.5
Professional services	1.3	1.3
Exit and termination costs	(0.1)	(0.9)
Other operating expense	0.2	0.2
Total operating expenses	15.3	14.2
Other income, net	2.0	3.0
Net loss	\$ (13.3)	\$ (11.2)

	Nine Months Ended September 30,	
	2025	2024
Total revenues	\$ 2.8	\$ —
Total cost of revenues	2.7	—
Gross profit	0.1	—
Administrative and office	4.8	5.8
Depreciation and amortization	4.1	2.1
Facilities	4.2	3.9
Personnel	18.3	18.1
Product development, exclusive of other costs presented	13.2	9.8
Professional services	4.2	3.8
Exit and termination costs	1.0	3.0
Other operating expense	0.9	0.8
Total operating expenses	50.7	47.3
Other income, net	6.6	9.6
Net loss	\$ (44.0)	\$ (37.7)

Concentration of Supplier Risk

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

Cash and Cash Equivalents

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

Restricted Cash

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

	September 30, 2025	December 31, 2024	September 30, 2024	December 31, 2023
Cash and cash equivalents	\$ 17,878	\$ 9,227	\$ 28,065	\$ 12,881
Restricted cash included in prepaid expenses and other current assets	—	—	—	7,918
Restricted cash included in other assets	665	665	665	665
	<u>\$ 18,543</u>	<u>\$ 9,892</u>	<u>\$ 28,730</u>	<u>\$ 21,464</u>

Accounts Receivable

Accounts receivable are stated at a gross invoice amount, net of an allowance for doubtful accounts. The allowance for doubtful accounts is maintained at a level considered adequate to provide for potential account losses on the balance based on the Company's evaluation of the anticipated impact of current economic conditions, changes in the character and size of the

balance, past and expected future loss experience and other pertinent factors. At September 30, 2025 and December 31, 2024, accounts receivable included amounts receivable from customers of \$0.6 million and \$1.5 million, respectively. At September 30, 2025 and December 31, 2024, there was no allowance for doubtful accounts on customer receivables.

Investments

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

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

Fair Value Measurements

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

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

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

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

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

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

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

Inventories

As of September 30, 2025, the KARNO Power Module has not yet been commercialized. Costs incurred for components acquired prior to our determination of reaching a commercial stage are expensed as R&D costs, resulting in zero cost basis for those components. As a result, moving-average prices for inventory that is capitalized in future periods may be significantly affected by those zero cost items. Inventory is consumed in the performance of contracts for R&D services in the quarter in

which it is purchased, including certain allocations of overhead costs, and we therefore do not record inventory at each reporting period pertaining to these contracts.

Revenue

The Company follows five steps to recognize revenue from contracts with customers under ASC 606, Revenue from Contracts with Customers, which are:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) a performance obligation is satisfied.

U.S. Government Contracts

The Company was performing under two contracts as both a prime and subcontractor to the United States government to provide R&D services. The larger of these two contracts was modified and accounted for as a new contract in the quarter ending December 31, 2024. These contracts were not accounted for as revenue prior to September 30, 2024 as they were not in the ordinary course of business and the counterparties were not customers under GAAP. In September 2024, the Company was awarded a best effort cost-plus-fixed fee contract, modified in March 2025, up to \$16.0 million by the United States Department of the Navy's Office of Naval Research ("ONR") to research the suitability of its KARNØ Power Module for Navy ships and stationary power generation applications. Under the agreement, the Company will provide R&D services through September 2026, including delivery of up to seven KARNØ Cores. The ONR contract represented a significant change in business strategy toward providing R&D activities in the ordinary course of business in addition to developing Power Modules for stationary and mobile applications. In July 2025, the Company was awarded a Phase II best effort cost-plus-fixed fee contract up to \$1.5 million by the ONR to demonstrate the conceptual feasibility of the Phase I effort and show development progress towards successful application. Under the agreement, the Company will provide R&D services through July 2026 with an option to extend through July 2027, including design reviews, simulations, and reporting.

The Company began accounting for these contracts under ASC 606 beginning in the quarter ending December 31, 2024. The remaining amounts of revenue that we may recognize under these contracts was up to \$14.4 million as of September 30, 2025, which is expected to primarily be recognized in 2025 and 2026. There is a single research and development services performance obligation in each of these contracts that is measured over time as the services are performed. The Company generally invoices monthly, which corresponds directly with the value to the customers of the performance completed to date, and recognizes revenue in the amount that it has a right to invoice. Payment is ordinarily due within 90 days of invoice submission. Cost of R&D services revenue includes labor, allocated fringe and overhead, and inventory.

All revenue in the three and nine months ended September 30, 2025 and 2024 was recognized over time. The portion of our revenues from significant customers is summarized as follows and is attributable to the U.S.:

	Three Months Ended September 30,	
	2025	2024
Customer A	75 %	— %
Customer B	25	—
	100 %	— %
	Nine Months Ended September 30,	
	2025	2024
Customer A	76 %	— %
Customer B	24	—
	100 %	— %

Research and Development Expense

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

Recent Accounting Pronouncements

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)-Targeted Improvements to the Accounting for Internal-Use Software*, to modernize the accounting for software costs that are accounted for under Subtopic 350-40, Intangibles—Goodwill and Other—Internal-Use Software. The pronouncement is effective for fiscal years beginning after December 15, 2027 and interim periods within that fiscal year. We are currently evaluating the impact of adoption.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326)-Measurement of Credit Losses for Accounts Receivable and Contract Assets*, to address challenges encountered when applying the guidance in Topic 326, Financial Instruments—Credit Losses, to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, Revenue from Contracts with Customers. The pronouncement is effective for fiscal years beginning after December 15, 2025 and interim periods within that fiscal year. We expect to adopt this ASU in the period ended March 31, 2026, applying the practical expedient policy election that assumes that current conditions as of the balance sheet date do not change for the remaining life of the current accounts receivable asset expected credit losses estimate on a prospective basis.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*, and clarified by ASU 2025-01, to enable investors to better understand the major components of an entity's income statement. The pronouncement is effective for fiscal years beginning after December 15, 2026 and interim periods beginning after December 15, 2027 and we expect a material impact to our disclosures as a result of adoption.

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

Note 4. Investments

The amortized cost, unrealized gains and losses, fair value and maturities of our held-to-maturity investments at September 30, 2025 and December 31, 2024 are summarized as follows:

	Amortized Cost	Fair Value Measurements at September 30, 2025		
		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Commercial paper	\$ 4,822	\$ —	\$ (8)	\$ 4,814
U.S. government agency bonds	3,000	—	—	3,000
State and municipal bonds	5,994	4	—	5,998
Corporate bonds and notes	133,048	496	(19)	133,525
	<u>\$ 146,864</u>	<u>\$ 500</u>	<u>\$ (27)</u>	<u>\$ 147,337</u>

	Amortized Cost	Fair Value Measurements at December 31, 2024		
		Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Commercial paper	\$ 979	\$ 3	\$ —	\$ 982
U.S. government agency bonds	17,490	6	(54)	17,442
State and municipal bonds	10,924	10	—	10,934
Corporate bonds and notes	181,109	369	(152)	181,326
	<u>\$ 210,502</u>	<u>\$ 388</u>	<u>\$ (206)</u>	<u>\$ 210,684</u>

	September 30, 2025		December 31, 2024	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 87,121	\$ 87,339	\$ 110,918	\$ 111,170
Due after one year through five years	59,743	59,998	99,584	99,514
	<u>\$ 146,864</u>	<u>\$ 147,337</u>	<u>\$ 210,502</u>	<u>\$ 210,684</u>

Note 5. Fair Value Measurements

The fair value measurements of our financial assets at September 30, 2025 and December 31, 2024 are summarized as follows:

	Fair Value Measurements at September 30, 2025			
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 17,878	\$ —	\$ —	\$ 17,878
Restricted cash	665	—	—	665
Held-to-maturity investments:				
Commercial paper	—	4,814	—	4,814
U.S. government agency bonds	—	3,000	—	3,000
State and municipal bonds	—	5,998	—	5,998
Corporate bonds and notes	—	133,525	—	133,525
	<u>\$ 18,543</u>	<u>\$ 147,337</u>	<u>\$ —</u>	<u>\$ 165,880</u>

Fair Value Measurements at December 31, 2024				
	Level I	Level II	Level III	Total
Cash and cash equivalents	\$ 9,227	\$ —	\$ —	\$ 9,227
Restricted cash	665	—	—	665
Held-to-maturity investments:				
Commercial paper	—	982	—	982
U.S. government agency bonds	—	17,442	—	17,442
State and municipal bonds	—	10,934	—	10,934
Corporate bonds and notes	—	181,326	—	181,326
	<u>\$ 9,892</u>	<u>\$ 210,684</u>	<u>\$ —</u>	<u>\$ 220,576</u>

Note 6. Leases

In February 2025, the Company executed a sublease for a portion of its corporate office through April 2027. The components of lease operating income which are primarily included as reductions to R&D and selling, general and administrative expense in the condensed consolidated statements of operations for the three and nine months ended September 30, 2025 and 2024 are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating lease income	\$ 81	\$ —	\$ 135	\$ —
Variable operating lease income	35	—	92	—
	<u>\$ 116</u>	<u>\$ —</u>	<u>\$ 227</u>	<u>\$ —</u>

Note 7. Property and Equipment, Net

Property and equipment, net at September 30, 2025 and December 31, 2024 is summarized as follows:

	September 30, 2025	December 31, 2024
Production machinery and equipment	\$ 46,316	\$ 27,846
Vehicles	379	379
Leasehold improvements	5,393	4,313
Office furniture and fixtures	287	270
Computers and related equipment	2,273	2,113
	<u>54,648</u>	<u>34,921</u>
Less: accumulated depreciation	<u>(13,044)</u>	<u>(9,001)</u>
Total property and equipment, net	<u>\$ 41,604</u>	<u>\$ 25,920</u>

Note 8. Share-Based Compensation

During the nine months ended September 30, 2025 and 2024, the Company granted 4.4 million and 6.1 million, respectively, restricted stock units which will vest over a period of one to three years. During the nine months ended September 30, 2025 and 2024, 0.1 million and 1.2 million, respectively, of restricted stock units and options were forfeited. Share-based compensation expense for the three and nine months ended September 30, 2025 was \$1.4 million and \$4.1 million, respectively. Share-based compensation expense for the three and nine months ended September 30, 2024 was \$1.1 million and \$3.5 million, respectively.

Of the restricted stock units granted in the nine months ended September 30, 2025, 2.7 million units may vest between February 18, 2026 and December 31, 2027 contingent upon achieving underlying closing stock price thresholds. These awards were valued at \$1.46 per unit using fair value hierarchy Level III inputs including an underlying share volatility of 90% and a risk-free rate of 4.23%.

Note 9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities at September 30, 2025 and December 31, 2024 are summarized as follows:

	September 30, 2025	December 31, 2024
Accrued professional services and other	\$ 2,448	\$ 1,823
Accrued compensation and related benefits	2,034	3,280
Other accrued liabilities	805	746
Accrued severance, contract termination, and other charges	—	773
	<u>\$ 5,287</u>	<u>\$ 6,622</u>

Note 10. Commitments and Contingencies***Economic Incentive Agreement***

During the quarter ended March 31, 2024, in connection with our operations in Cedar Park, Texas, the Company entered into an agreement with the Cedar Park Economic Development Corporation (“EDC”) that superseded prior agreements, whereby the Company would receive cash grants up to \$1.1 million from the EDC at various measurement dates during the term of the agreement contingent upon the Company fulfilling and maintaining certain occupancy, investment, and employment requirements. The requirements must be met on or before specific measurement dates and maintained throughout the term of the agreement, which expires effective December 31, 2029. The Company has received payments to date of \$0.4 million which are refundable as applicable performance requirements were not met and are included within accrued expenses and other current liabilities at September 30, 2025. Under the agreement, the EDC has the right to file a security interest to all assets of the Company.

Legal Proceedings

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

Note 11. Net Loss Per Share

The computation of basic and diluted net loss per share for the three and nine months ended September 30, 2025 and 2024 is summarized as follows (in thousands, except share and per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Numerator:				
Net loss attributable to common stockholders	<u>\$ (13,337)</u>	<u>\$ (11,202)</u>	<u>\$ (44,005)</u>	<u>\$ (37,650)</u>
Denominator:				
Weighted average shares outstanding, basic and diluted	<u>175,652,193</u>	<u>173,612,768</u>	<u>175,106,583</u>	<u>175,302,069</u>
Net loss per share, basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.25)</u>	<u>\$ (0.21)</u>

Potential common shares excluded from the computation of diluted net loss per share because including them would have had an anti-dilutive effect for the three and nine months ended September 30, 2025 and 2024 are summarized as follows:

	Three and Nine Months Ended September 30,	
	2025	2024
Unexercised stock options	180,475	190,529
Unvested restricted stock units	8,143,888	6,446,843
	8,324,363	6,637,372

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

References to the "Company," "Hyliion," "we," "our," or "us" in this report refer to Hyliion Holdings Corp. and its wholly-owned subsidiary Hyliion Inc., unless expressly indicated or the context otherwise requires. The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this report and our audited consolidated financial statements and related notes thereto in our 2024 Annual Report.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements, other than statements of historical fact, contained in this Quarterly Report on Form 10-Q are forward-looking statements, including, but not limited to, statements regarding our strategy, prospects, plans, objectives, future operations, future revenue and earnings, projected margins and expenses, markets for our services, potential acquisitions or strategic alliances, financial position, and liquidity and anticipated cash needs and availability. The words "anticipates," "believes," "targets," "should," "contemplates," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," "potential," "remains," "continues," "likely," or variations of such words and similar expressions or the negatives thereof are intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These forward-looking statements represent our management's expectations as of the date of this filing and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. We cannot guarantee the accuracy of the forward-looking statements, and you should be aware that results and events could differ materially and adversely from those contained in the forward-looking statements due to a number of risks and uncertainties including, but not limited to, those described in the section entitled "Risk Factors" included in our 2024 Annual Report on Form 10-K, this Quarterly Report on Form 10-Q, and in other documents we file from time to time with the U.S. Securities and Exchange Commission (the "Commission" or the "SEC") that disclose risks and uncertainties that may affect our business. Readers are urged to carefully review and consider the various disclosures made in this Quarterly Report on Form 10-Q and in other documents we file from time to time with the Commission. Furthermore, such forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we do not undertake, and expressly disclaim any duty, to publicly update or revise these statements, whether as a result of new information, new developments, or otherwise and even if experience or future changes make it clear that any projected results expressed in this Quarterly Report on Form 10-Q or future quarterly reports, press releases or company statements will not be realized. Unless specifically indicated otherwise, the forward-looking statements in this Quarterly Report on Form 10-Q do not reflect the potential impact of any investments, divestitures, mergers, acquisitions or other business combinations that have not been completed as of the date of this filing. In addition, the inclusion of any statement in this Quarterly Report on Form 10-Q does not constitute an admission by us that the events or circumstances described in such statement are material. We qualify all of our forward-looking statements by these cautionary statements. In addition, the industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors including those described in the section entitled "Risk Factors" included in our 2024 Annual Report on Form 10-K and in this Quarterly Report on Form 10-Q. These and other factors could cause our results to differ materially from those expressed in this Quarterly Report on Form 10-Q.

Overview

Hyliion is committed to creating innovative solutions that enable clean, efficient, and flexible electricity production while contributing positively to the environment in the energy economy. Hyliion's primary product offering, the KARNOTM Power Module, is a modular, fully enclosed, fuel-agnostic and fully integrated power generating solution. The KARNOTM Power Module is powered by KARNOTM Core, a heat engine coupled to a linear generator, to produce electricity with significant improvements in efficiency, emissions and lifecycle cost compared to conventional generation technologies. Hyliion's KARNOTM Power Modules enable effective power generation using a wide range of fuel sources, including conventional fuels such as natural gas, propane or diesel, waste fuels such as landfill gas, wellhead gas, and zero carbon fuels such as renewable hydrogen and ammonia. Hyliion is initially targeting the datacenter, commercial and industrial, and defense sectors with a locally-deployable generator designed to meet a wide range of power generation needs. The Company plans to scale up its Power Module solution to address larger utility-scale power needs and to develop future variants for industrial waste heat, nuclear, household use and e-mobility applications such as vehicles and marine vessels. Additionally, the Power Module technology is well-suited to provide combined heat and power in various stationary applications.

KARNOTM Power Modules

The KARNOTM technology emerged out of General Electric's long-running R&D investments in aerospace and metal additive manufacturing across multiple industries and in areas such as generator thermal and performance design. We initially

envisioned utilizing the KARNO Core as new range-extending power source for our Hypertruck powertrain system, given its ability to operate on a wide range of fuel sources, including natural gas and hydrogen. After the previously-announced wind down of our powertrain operations, we shifted our focus to the development and commercialization of the KARNO Power Module as a standalone product targeting power generation and e-mobility markets, and related R&D services that we have undertaken pursuant to contracts with the United States government. We believe that the unique capabilities of the KARNO Power Module will make it competitive in the market for distributed power systems, competing favorably against conventional generating systems and new alternative power systems such as fuel cells and other linear generators. The KARNO Power Module and KARNO Core technology, including the technology that we acquired from General Electric, and the technology developed by Hyliion subsequent to the acquisition, is protected by numerous patents and trademarks which we believe provide Hyliion extensive and lasting protection for its intellectual property.

The Science of the KARNO Power Module

The KARNO Power Module is distinguished from conventional generating systems that rely on reciprocating internal combustion engines or gas turbines to drive a rotating shaft. Instead, the KARNO Cores that power the KARNO Power Modules use an innovative thermal converter to power a linear electricity generating system. The KARNO Core produces linear motion from temperature differences within the system. Heat is generated through flameless oxidation of fuels, such as natural gas, hydrogen, or propane. The thermal energy heats helium gas enclosed within a sealed cylinder, causing it to expand and drive linear motion in a connected piston-shaft system. The shaft includes a sequence of permanent magnets that pass through electrical coils as the system oscillates, generating electricity. Subsequently, the countermotion generated by a piston at the opposite end of the shaft flows the helium gas to the cold side of a piston in an adjacent shaft, where excess heat is efficiently dissipated. This cyclical process continues, resulting in a continuous source of electrical power as long as heat is supplied to the KARNO Core.

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

Thermal converters offer the advantages of fuel flexibility and high operating efficiency. The KARNO Core stands out for its ability to maximize heat transfer between components and working fluids. Enabled by advances in additive manufacturing systems, parts are designed with many intricate flow channels for the movement of heat, coolant, helium and exhaust gases such that contact surface areas for heat transfer are maximized. This enables the KARNO Power Module to achieve high levels of efficiency.

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

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

Conventional generators emit pollutants because of incomplete combustion of fuel-air mixtures and operating conditions, with the formation of nitrous-oxide ("NOx") and carbon monoxide ("CO") compounds being particularly prominent. Unlike conventional generators, the KARNO Power Module is designed for continuous flameless oxidation of the fuel at lower temperatures and extended reaction times. This is achieved partly through the recirculation of exhaust gases, which serves to prolong oxidation, and by pre-heating incoming air. As a result, the KARNO Power Module is anticipated to achieve ultra-low levels of emissions, with NOx and CO emissions expected to be reduced by over 95% compared to best-in-class diesel or

natural gas engines and meeting South Coast Air Quality Management District (“SCAQMD”) Rule 1110.3 emission standards without the need for aftertreatment.

One of the notable advantages of the KARNO Power Module in comparison to traditional generating units is the expected reduction in maintenance requirements and cost. Conventional generators typically incur periodic and usage-based maintenance expense that can range between 5% to 20% of their total operating cost throughout their lifespan, influenced by factors such as utilization and operating parameters. The KARNO Power Module’s primary advantage arises from having only a single moving linear actuator per shaft (4 shafts per 200 kW KARNO Core), which glides on low friction helium bearings. This innovative design significantly mitigates efficiency losses attributed to friction, enhancing the system’s operational longevity and eliminating the need for oil-based lubricants.

The KARNO Power Module derives advantages from its expected capability to operate across a diverse spectrum of over 20 available fuel sources and fuel blends. These include natural gas, propane, gasoline, jet fuel, and alternative fuels like biodiesel, hydrogen and ammonia. Moreover, the KARNO Power Module can seamlessly transition between these fuels or fuel blends. This versatility enables a single KARNO Power Module to adapt to different use cases. For example, the KARNO Power Module may operate on natural gas for prime power generation when a pipeline connection is available and on waste gas near a landfill or dairy farm, and switch to locally stored diesel fuel for continuous generation if primary fuel supply is interrupted. Furthermore, as hydrogen becomes more widely available, the KARNO Power Module will be able to adapt to this cleaner fuel. As the energy landscape evolves, the KARNO Power Module’s fuel-agnostic nature positions it as a flexible solution to electricity generation needs, enhancing energy security.

Benefits of the KARNO Power Module Versus Conventional Competitors

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

- *Efficiency:* The anticipated operating efficiency of the KARNO Power Module could result in lower marginal cost of electricity generation versus conventional generating systems and, in some markets, grid power.
- *Low Maintenance:* With only a single moving part per shaft, the simplicity of the KARNO Power Module is expected to reduce both periodic maintenance expenses, overhaul costs and longer uptime.
- *Fuel Agnostic:* While many traditional generators operate on a single fuel source or require system modification to achieve fuel flexibility, the KARNO Power Module is truly fuel-agnostic and can switch between fuel choices during operation with few or no modifications.
- *Low Noise and Vibration:* Unlike conventional generators, the KARNO Power Module operates without internal combustion, resulting in a significantly lower noise level of approximately 67 decibels at six feet.
- *Higher Power Density:* The unique architecture and features of the KARNO Power Module that are achieved by advances in additive manufacturing are expected to enable the KARNO Power Module to achieve a high power density.
- *Modularity:* The DC output of the KARNO Power Module allows multiple KARNO Power Modules to be connected on a single bus to achieve higher power outputs without impacting other performance characteristics.

Market Opportunity

As economies and industries evolve, the demand for electricity is accelerating, driven by the electrification of society, urbanization, increasing industrial output and technological growth. Electricity powers factories, drives the digital revolution, supports healthcare, education, and financial services, and serves as the foundation of economic productivity. Additional growth drivers include the widespread adoption of automation, artificial intelligence, expanding data centers and the electrification of transportation. However, as global energy demand rises, traditional centralized power generation and distribution models face mounting challenges.

Aging grid transmission infrastructure across the world faces growing challenges as it strives to balance the availability of affordable, reliable power with maintaining grid stability and integrating new sources of clean power generation. The addition of intermittent renewable power generation further complicates grid management, emphasizing the need for resilient and adaptive electricity systems. Distributed power generation offers a solution by decentralizing electricity production, reducing transmission needs and delivering power closer to consumption points.

Hyliion’s KARNO Power Module is an innovative solution in the emerging distributed generation space, offering a reliable power generator that combines high efficiency, fuel flexibility, and low emissions. Designed for both stationary and mobile applications, the KARNO Power Module addresses many of the challenges that have traditionally limited the widespread

adoption of onsite power solutions. These include high operating costs, reliability issues, complex maintenance, noise pollution, space constraints, and dependency on limited fuel sources.

Hyliion's initial KARNO Power Module product is a 200 kW system that is power-dense and easy to deploy. It features a compact, space-efficient rectangular design with a footprint of approximately 25 square feet, housing a single four-shaft linear generating unit and integrated balance-of-plant components. The KARNO Power Module supports fuel switching during operation without power loss, while flexible deployment options allow it to operate in grid-following, grid-forming, or islanded configurations (when paired with an external inverter), making it suitable for a wide range of applications. Additionally, the KARNO Power Module features real-time monitoring of over 1,000 operational parameters through its KARNO Cloud® platform, enabling proactive diagnostics, predictive maintenance, and performance optimization, ensuring maximum uptime. With cloud connectivity, users gain instant access to remote monitoring and control features, providing insights into system performance, fuel efficiency, and system health.

Beyond the 200 kW variant, Hyliion is advancing the development of a larger 2 MW KARNO system, which integrates multiple 200 kW KARNO Core units operating in tandem within a compact 160 square-foot footprint - approximately the size of a 20' shipping container. We believe that this modular and scalable approach enables seamless power expansion while maintaining high efficiency and reliability. The 2 MW solution will target key market segments such as data centers and industrial prime power applications. By utilizing multiple 200 kW generating blocks, the system offers built-in redundancy and the flexibility for customers to customize capacity to match their power needs.

Hyliion also plans to expand the KARNO product line with both larger and smaller capacity versions, adjusting power levels by varying the number of generator shafts and component sizes. Initially, the KARNO Power Module will address power applications ranging from 200 kW to the low hundreds of megawatts, addressing a broad spectrum of distributed generation needs. With its ability to deliver reliable, fuel-flexible, and highly efficient power, the KARNO Power Module is uniquely positioned to serve a variety of key market segments, including:

- *Data Centers:* As cloud computing, artificial intelligence, machine learning, and edge computing continue to expand, data centers are projected to grow rapidly, consuming an increasing share of global energy demand. Onsite generation is an emerging solution to power new data center installations. Hyliion's 2 MW KARNO product is being designed to address the needs of data center developers by providing a scalable, fuel-flexible onsite power solution with best-in-class power density and versatility. Capable of operating on more than 20 different fuels, the KARNO Power Module enables data center developers to minimize onsite generation infrastructure. Its ability to easily transition between pipeline-supplied fuels, such as hydrogen or natural gas, and onsite stored fuels, like methanol or diesel, eliminates the need for separate backup generation systems, reducing capital and operational costs. As datacenter rack power densities rise to support increased AI workloads, Hyliion's KARNO Power Module's native 800V DC architecture simplifies power system design and enhances site resiliency.
- *Commercial & Industrial:* As electricity demand increases and grid infrastructure struggles, microgrids and onsite prime power solutions are becoming essential for industries facing high consumption charges, peak demand pricing, and grid reliability concerns. Businesses, industrial sites, and remote facilities increasingly seek localized power generation to mitigate rising energy costs, monetize assets, and improve operational resilience. With relatively high efficiency, fuel adaptability and low maintenance needs, KARNO Power Modules provide a cost-effective alternative to grid electricity, allowing businesses to optimize energy costs while ensuring uninterrupted operations. Its ability to seamlessly integrate with energy storage and renewable sources enables installation of effective hybrid energy solutions. Additionally, the KARNO Power Module's cogeneration capabilities allow industries to utilize both electricity and thermal energy, improving overall system efficiency and recovering usable waste heat.
- *Defense:* Defense organizations around the world are pursuing advanced energy solutions to support modern, rapidly evolving, distributed operations across land, sea, air, and autonomous platforms. Hyliion's fuel-agnostic KARNO platform is engineered to meet these changing mission profiles with a combination of versatility, efficiency, and durability. Designed to operate on over 20 fuels, including JP-8 and its variants, diesel, ammonia, and hydrogen, the KARNO system enhances logistical adaptability across diverse applications. Its low acoustic and thermal signatures support stealth and operational security, while its high fuel efficiency enables longer runtimes and reduced refueling needs. Built with minimal moving parts and robust architecture, the KARNO technology delivers extended maintenance intervals and high system uptime under challenging conditions. Whether deployed in forward operating bases, shipboard power systems, microgrids, or unmanned autonomous platforms, the scalable KARNO Power Module and KARNO Core aim to deliver reliable, next-generation power for the strategic and tactical demands of global defense operations.
- *Vehicle Charging:* The rapid adoption of electric vehicles ("EVs") is placing increasing strain on grid capacity, a challenge expected to grow with the introduction of commercial EVs, including buses, delivery vans, and heavy-duty trucks. These vehicles require substantial power for charging, intensifying grid demands. While Direct Current ("DC")

fast charging technology and infrastructure are evolving to meet this need, many commercial operators cite limited grid capacity and high electricity costs as barriers to scaling their EV fleets. Hyllion's KARNO Power Module offers an advantaged solution for commercial EV charging. Its native DC output integrates seamlessly with DC fast charging infrastructure, eliminating power losses associated with conversion. Additionally, the KARNO Power Module's compact footprint and quiet operation make it ideal for deployment in space-constrained locations, such as urban charging hubs, fleet depots, and remote charging stations where grid access is limited or expensive. When paired with onsite energy storage systems and renewable energy sources like solar or wind, KARNO Power Modules can enable resilient and sustainable microgrids for EV charging.

- *Biogas (Landfill, Wastewater & Digester Gas):* Biogas sourced from landfills, wastewater treatment plants, and dairy digesters represents a rapidly growing market as industries and municipalities seek to convert methane-rich waste gases into electricity and prevent methane, a potent greenhouse gas, from escaping into the environment or being flared. Current power generation technologies often struggle to process biogas due to contaminants such as hydrogen sulfide and siloxanes, as well as moisture and fluctuating gas compositions, necessitating preconditioning and purification before the fuel can be utilized. The KARNO Power Module's advanced architecture and corrosion-resistant materials enable it to operate with minimal gas preconditioning, making it a cost-effective, high-performance solution for converting waste gas into reliable power.
- *Oil & Gas and Syngas Gas:* The oil and gas industry is rapidly electrifying due to growing power needs across drilling, production, refining, and transportation operations. However, wellhead and flare gas, byproducts of oil and gas extraction, are often wasted due to insufficient pipeline capacity or poor gas quality, leading to lost energy and increased emissions. The KARNO Power Module enables conversion of waste gas into usable electricity with minimal pre-treatment, enabling onsite power generation and grid integration. Its fuel flexibility, use of corrosion-resistant materials, and ability to handle variable fuel quality make it an ideal technology of choice for oilfield electrification while significantly reducing emissions. Additionally, the KARNO Power Module's fuel-agnostic capability allows it to generate clean electricity from hydrogen-rich syngas, a valuable byproduct of gasification or industrial processes.
- *Mobility:* The KARNO Power Module is particularly suitable for applications that require a source of electric power in mobile applications such as electric vehicles, railroad locomotives, remote power generation and marine vessels. Compared to conventional power sources, the KARNO Power Module is expected to offer higher efficiency, lower emissions, quieter operation, reduced maintenance needs and the flexibility to operate on a wider range of fuel sources. Additionally, the KARNO Power Module's high power density, modularity and native DC power output offers an added advantage where space constraints and integration are considerations.
- *Backup Power:* The market for local backup power generators is well established and positioned to grow due to decreasing grid reliability, the increasing share of intermittent renewable energy sources, rising extreme weather events, and the need for uninterrupted power. Also, the grid balancing and servicing market is expanding as utilities and independent power producers seek fast-ramping, distributed generation assets to balance supply and demand fluctuations. Innovative business models such as Resiliency-as-a-Service and Virtual Power Plants have emerged to leverage distributed generation assets for grid resilience. With growing concerns over emissions from internal combustion engine-powered generators in the backup power market, we believe the KARNO Power Module presents an opportunity to provide solutions for end users that desire a lower emissions profile and in the event emissions regulations are further tightened.
- *Waste Heat:* In hard-to-decarbonize industrial sectors such as cement, glass, and primary metals production, vast amounts of high-grade waste heat (1000°C+) are released during manufacturing processes. Traditionally, much of this thermal energy is lost due to limited efficient recovery solutions. Since the KARNO Power Module uses heat as its primary energy source to generate electricity, high-temperature industrial waste heat is expected to be able to be directly utilized to produce clean electricity, enabling industries to recover wasted energy, improve efficiency, and reduce emissions.

KARNO Power Module Development

Research and Development

Most of our current activities are focused on the R&D of our KARNO Power Module. We undertake significant testing and validation of our products and components to ensure that they will meet the demands of our customers. Our R&D activities primarily take place at our facility in Cincinnati, Ohio and at our headquarters in Cedar Park, Texas. Our R&D is primarily focused on:

- development of the KARNO Core and Power Module including testing and validation;
- integration of the KARNO Core and Power Module technology into various applications;
- accelerated lifetime testing processes to improve reliability, maintainability and system-level robustness;
- development of battery systems that can be used as a starter power source for the KARNO Power Module or as a load buffer solution;
- data analytics; and
- alternative products for existing and in-development components and technology.

Since acquiring the KARNO technology from GE in September 2022, Hyliion has made significant R&D investments to support an expected commercial launch of the 200 kW KARNO Power Module. Early efforts focused on the development of a 125 kW KARNO Core, which has been successfully operated in our Ohio facility and utilized for extensive testing and further advancements. Through this system, we validated the ability of the KARNO Core's fuel oxidation system to operate on a wide range of fuel sources, including natural gas, hydrogen, gas mixtures, and untreated landfill and Permian Basin well gas. Additionally, testing of the oxidation system demonstrated very low levels of pollutant emissions in the exhaust stream. The 125 kW KARNO Core also served as platform for developing and validating key components that are now incorporated into the larger 200 kW KARNO Power Module slated for market launch. These advancements include improved helium gas bearings for greater durability, a magnetic encoder for precise shaft position detection and optimized printed components to increase KARNO Core efficiency and manufacturing speed. The higher powered 200 kW KARNO Core also incorporates a larger Hyliion-designed linear electric motor. Development activities in 2024 and 2025 included developing production processes for this new motor as well as testing and validation of design parameters.

We have completed the design and sourcing of components for the balance-of-plant systems that support KARNO Core operation for the 200 kW system, including the system enclosure. The balance of plant includes cooling, pressure control, fuel and air, battery, high and low voltage, inlet air and exhaust systems. Development work also includes control software, safety systems, the human-to-machine interface and the physical integration of systems. Validation of essential operating parameters, including efficiency, emissions and reliability, are also part of R&D activities.

To date in 2025, we have delivered two early adopter customer units planned for the year as well as two additional Power Modules that are used for internal testing and for UL Solutions ("UL") certification. The two customer units are undergoing testing under our R&D contract with the ONR and are performing well mechanically, while we address minor software and test equipment issues. Initial KARNO Power Module deployments, along with our ongoing testing and development efforts, will continue to validate critical design specifications, including projected operating life, maintenance requirements and durability.

Earlier in 2025, we announced that delivery of early deployment customer units and validation of generator design parameters were delayed due to design and production problems related to a key printed component – the regenerator – as well as delays in ramping up production of linear electric motors by a contract manufacturer. The regenerator functions as a heat capacitor, storing thermal energy within the system as helium gas cycles between hot and cold temperature regions. It is a critical component for achieving the generator's target power levels and overall system efficiency. An early regenerator design was found to have insufficient heat storage and transfer capability. Additionally, residual powder from the additive manufacturing process could not easily be removed after printing due to the small passageways in the regenerator's flow channels.

The regenerator part has since been redesigned to increase heat storage and transfer capabilities. Testing of this updated design indicates that it will address the performance shortfall seen with the earlier configuration although the improved thermal characteristics revealed other locations where performance is being affected by heat losses within the system. Design modifications are underway to increase the insulative properties of these components with improved results expected in the coming months. Furthermore, new post-processing techniques have been implemented and verified to effectively remove residual powder from regenerators after printing. The updated regenerator can be easily retrofitted into existing KARNO Cores once available.

We recently insourced linear electric motor production after earlier efforts to outsource this work to a contract manufacturer. This transition is accelerating the ramp-up in motor production capacity and enabling greater control over manufacturing

quality. While production challenges and the shift in operations delayed early deployment unit deliveries, output has since increased and is now expected to meet ongoing production needs.

Research and Development Services

We provide R&D services to third parties, including the U.S. government. In September 2024, Hyliion was awarded a cost-plus-fixed-fee contract of up to \$16.0 million by the ONR to assess the suitability of its KARNO Power Module for Navy vessels and stationary power applications. The contract aligns with ONR's objective of leveraging advanced technology to reduce its carbon footprint while enhancing operating capabilities. Upon successful validation and demonstration, the KARNO Power Module could be used as an electric power system in future platforms and for stationary power needs. To date in 2025, we have delivered two KARNO Cores under this contract which we have been testing at our R&D facility in Cincinnati. We expect to deliver additional KARNO Cores and Power Modules during 2026, including a multi-KARNO Power Module system, and will expand testing to include long duration operation, simulation of ship motion and the ability of the system to operate in extreme temperature environments.

We will continue to provide R&D services to third parties under existing contracts and, based on interest from current and prospective customers, anticipate entering into additional R&D agreements in the future. Customers engage Hyliion to explore and validate the KARNO Power Module's capabilities tailored to their specific requirements. Key areas of interest include testing its low-emissions flameless oxidation system and evaluating applications that leverage the KARNO Power Module's high power output and compact configuration. Customers are also drawn to the KARNO Power Module's fuel versatility including the ability to easily transition between fuels. R&D services may also involve testing the KARNO Power Module under various operating conditions, including harsh environments, and in mobile applications to assess its performance. Certain customers seek to measure and validate its low emissions profile and test different power configurations to ensure the technology aligns with their operational and environmental needs.

Key Factors Affecting Operating Results

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including but not limited to economic uncertainties, supply chain disruptions, inflation, high interest rates, and other risks discussed below and referenced in Part II, Item 1A "Risk Factors".

Commercialization of KARNO Power Module

Our focus is on continuing development and testing of our fuel-agnostic KARNO Power Module and the deployment of initial units with customers. We anticipate that a substantial portion of our capital resources and efforts in the near future will be focused on these activities. The amount and timing of our future funding requirements will depend on many factors, including but not limited to the pace of completing initial KARNO Power Module testing and validation, the pace at which we invest in KARNO Core additive printing capacity, our plans for manufacturing KARNO Power Module components (whether in-house or through outsourcing to third parties), the range of product offerings we plan to bring to market and external market factors beyond our control.

Key Components of Statements of Operations

Revenue

We generate revenue by providing R&D services under contracts with third parties, including the U.S. government. Additionally, we expect to begin generating product revenue following the commercialization of our KARNO Power Module.

Cost of Revenue

Cost of revenue includes costs associated with R&D services revenue, such as direct costs, including labor and materials, and applicable overhead costs.

Research and Development Expense

R&D expenses consist primarily of costs incurred for the discovery and development of our KARNO Power Module, which include:

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

We expect to continue to invest in R&D activities to achieve operational and commercial goals.

Selling, General and Administrative Expense

Selling, general and administrative expenses consist of personnel-related expenses for our corporate, executive, finance, information technology, sales, marketing and other administrative functions, expenses for outside professional services, including legal, audit and accounting services, as well as expenses for facilities, software licenses, depreciation, amortization, travel, sales and marketing costs. Personnel-related expenses consist of salaries, benefits and share-based compensation. Factors that also affect selling, general and administrative expense include the total number of employees, costs incurred as a result of operating as a public company, including compliance with the rules and regulations of the U.S. Securities and Exchange Commission, legal, audit, insurance, investor relations activities and other administrative and professional services.

Exit and Termination Costs

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

Other Income

Other income currently consists primarily of interest income earned on our investments. Since the acquisition of our KARNO technology, we have continued to perform as a subcontractor on a contract with the ONR and recorded such amounts, net of costs incurred, as other income. Beginning in the quarter ending December 31, 2024, we no longer record amounts received for the performance of R&D services as other income and now record such amounts received as revenue.

Results of Operations

Comparison of Three Months Ended September 30, 2025 to Three Months Ended September 30, 2024

Our results of operations for the three months ended September 30, 2025 (the “current quarter”) and 2024 on a consolidated basis are summarized as follows (in thousands, except share and per share data):

	Three Months Ended September 30,			
	2025	2024	\$ Change	% Change
Revenues				
Research and development services	\$ 759	\$ —	\$ 759	N/A
Total revenues	759	—	759	N/A
Cost of revenues				
Research and development services	806	—	806	N/A
Total cost of revenues	806	—	806	N/A
Gross loss	(47)	—	(47)	N/A
Operating expenses				
Research and development	10,136	9,462	674	7.1 %
Selling, general and administrative expenses	5,184	5,648	(464)	(8.2)%
Exit and termination benefits	(70)	(929)	859	(92.5)%
Total operating expenses	15,250	14,181	1,069	7.5 %
Loss from operations	(15,297)	(14,181)	(1,116)	7.9 %
Interest income	1,960	2,979	(1,019)	(34.2)%
Net loss	<u>\$ (13,337)</u>	<u>\$ (11,202)</u>	<u>\$ (2,135)</u>	<u>19.1 %</u>
Net loss per share, basic and diluted	<u>\$ (0.08)</u>	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>	<u>33.3 %</u>
Weighted-average shares outstanding, basic and diluted	<u>175,652,193</u>	<u>173,612,768</u>	<u>2,039</u>	<u>1.2 %</u>

Revenue and Cost of Revenues

In the fourth quarter of 2024, we began recognizing revenue for R&D services performed as both a prime and subcontractor to the United States government. Revenue for R&D services increased \$0.8 million and associated cost of revenues increased \$0.8 million.

Research and Development

R&D expenses increased \$0.7 million due to higher spending related to the design and testing of our KARNO Power Module, growth in the production of additive components, and the procurement of parts for our initial KARNO Power Module deployments planned to occur later in 2025.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses decreased \$0.5 million primarily due to:

- a decrease of \$0.3 million in facilities costs;
- a decrease of \$0.2 million in insurance; partially offset by
- an increase of \$0.2 million in personnel and benefits.

Exit and Termination Benefits

Exit and termination benefits decreased by \$0.9 million as a result of the adoption of the Plan and items discussed in Note 2 of the notes to the condensed consolidated financial statements, including recoveries from assets sold.

Interest Income

Interest income decreased \$1.0 million primarily due to the decline in our investment balance and lower interest rates.

Comparison of Nine Months Ended September 30, 2025 to Nine Months Ended September 30, 2024

The following table summarizes our results of operations on a consolidated basis for the nine months ended September 30, 2025 (the “current nine months”) and 2024 (in thousands, except share and per share data):

	Nine Months Ended September 30,			
	2025	2024	\$ Change	% Change
Revenues				
Product sales and other	\$ 2,763	\$ —	\$ 2,763	N/A
Total revenues	2,763	—	2,763	N/A
Cost of revenues				
Product sales and other	2,667	—	2,667	N/A
Total cost of revenues	2,667	—	2,667	N/A
Gross profit	96	—	96	N/A
Operating expenses				
Research and development	32,503	25,741	6,762	26.3 %
Selling, general and administrative expenses	17,228	18,502	(1,274)	(6.9)%
Exit and termination costs	1,007	2,946	(1,939)	(65.8)%
Total operating expenses	50,738	47,189	3,549	7.5 %
Loss from operations	(50,642)	(47,189)	(3,453)	7.3 %
Interest income	6,637	9,504	(2,867)	(30.2)%
Gain on disposal of assets	—	3	(3)	(100.0)%
Other income, net	—	32	(32)	(100.0)%
Net loss	\$ (44,005)	\$ (37,650)	\$ (6,355)	16.9 %
Net loss per share, basic and diluted	\$ (0.25)	\$ (0.21)	\$ (0.04)	19.0 %
Weighted-average shares outstanding, basic and diluted	175,106,583	175,302,069	(195)	(0.1)%

Revenue and Cost of Revenues

In the fourth quarter of 2024, we began recognizing revenue for R&D services performed as both a prime and subcontractor to the United States government. Revenue for R&D services increased \$2.8 million and associated cost of revenues increased \$2.7 million.

Research and Development

R&D expenses increased \$6.8 million due to higher spending related to the design and testing of our KARNO Power Module, growth in the production of additive components, and the procurement of parts for our initial KARNO Power Module deployments planned to occur later in 2025.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses decreased \$1.3 million primarily due to:

- a decrease of \$0.7 million in facilities costs;
- a decrease of \$0.7 million in insurance; and
- a decrease of \$0.2 million in professional services; partially offset by
- an increase of \$0.7 million in personnel and benefits.

Exit and Termination Costs

Exit and termination costs decreased by \$1.9 million as a result of the adoption of the Plan and items discussed in Note 2 of the notes to the condensed consolidated financial statements, including recoveries from assets sold.

Interest Income

Interest income decreased \$2.9 million primarily due to the decline in our investment balance and lower interest rates.

Liquidity and Capital Resources

At September 30, 2025, our total current assets were \$110.0 million, consisting primarily of cash and cash equivalents of \$17.9 million, short-term investments of \$87.1 million and prepaid expenses of \$4.2 million. Our total current liabilities were \$10.0 million and were primarily comprised of accounts payable, accrued expenses and operating lease liabilities. We also had \$59.7 million of investments in longer-term liquid securities which we maintain to generate higher income on capital that we do not expect to spend in the next 12 months.

We believe the credit quality and liquidity of our investment portfolio at September 30, 2025 is strong and will provide sufficient liquidity to satisfy operating requirements, working capital purposes and strategic initiatives. The unrealized gains and losses of the portfolio may remain volatile as changes in the general interest rate environment and supply and demand fluctuations of the securities within our portfolio impact daily market valuations. To mitigate the risk associated with this market volatility, we deploy a relatively conservative investment strategy focused on capital preservation and liquidity whereby no investment security may have a final maturity of more than 36 months from the date of acquisition or a weighted average maturity exceeding 18 months. Eligible investments under the Company's investment policy bearing a minimum credit rating of A1, A-1, F1 or higher for short-term investments and A2, A, or higher for longer-term investments include money market funds, commercial paper, certificates of deposit and municipal securities. Additionally, all of our debt securities are classified as held-to-maturity as we have the intent and ability to hold these investment securities to maturity, which minimizes any realized losses that we would recognize prior to maturity. However, even with this approach we may incur investment losses as a result of unusual or unpredictable market developments, and we may experience reduced investment earnings if the yields on investments deemed to be low risk remain low or decline further due to unpredictable market developments. In addition, these unusual and unpredictable market developments may also create liquidity challenges for certain of the assets in our investment portfolio.

Based on our past performance, we believe our current and long-term assets will be sufficient to continue and execute on our business strategy and meet our capital requirements for the next twelve months. Our primary short-term cash needs are costs associated with KARNØ Power Module development, building our initial deployment units and capital investments for additive printer acquisitions. Longer term, our capital needs will be determined by our go-to-market strategy as well as governmental R&D, which may include development of our own KARNØ Power Module manufacturing capacity or outsourcing this work to third parties or business partners. We have up to \$6.1 million remaining authorized for repurchases under our \$20 million share repurchase program but have currently paused any additional repurchases. Based on current projections of operating expenses, capital spending, working capital growth and historical share repurchases, we expect to have approximately \$155 million in cash, short-term and long-term investments remaining on our balance sheet at the end of 2025. This projection assumes the completion of about \$10 million in equipment-backed financing or debt before the end of the year. It is possible that this financing could be delayed into 2026 or may not occur at all if acceptable terms cannot be obtained.

We expect to continue to incur net losses in the short term as we execute on our strategic initiatives by completing the development and commercialization of the KARNØ Power Module with anticipated initial customer deployments through the end of 2025 and into early 2026. However, actual results could vary materially and adversely as a result of a number of factors including, but not limited to, those discussed in Part II, Item 1A. "Risk Factors."

The amount and timing of our future funding requirements will depend on many factors, including the scope and results of our R&D efforts, the breadth of product offerings we plan to commercialize, the growth of sales, working capital needs, and our long-term manufacturing plan for the KARNØ Power Module including the pace of investments in additive manufacturing assets, methods of financing these investments, as well as factors that are outside of our control. We regularly evaluate our funding needs and sources of capital and may seek external funding in the appropriate circumstances. While we expect that we have sufficient capital to get through commercialization of the KARNØ Power Module, we do anticipate that at some time we will seek additional sources of capital to accelerate investments in assets needed for growth following commercialization, primarily additive printing machines and related assets. With our current cash and investments, we are well positioned to be deliberate and opportunistic in determining the timing and structure of a capital raise.

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

Cash Flows

Net cash, cash equivalents and restricted cash provided by or used in operating activities, investing activities and financing activities for the nine months ended September 30, 2025 and 2024 is summarized as follows (in thousands):

	Nine Months Ended September 30,	
	2025	2024
Cash from operating activities	\$ (34,691)	\$ (43,291)
Cash from investing activities	43,930	64,865
Cash from financing activities	(588)	(14,308)
	<u>\$ 8,651</u>	<u>\$ 7,266</u>

Cash from Operating Activities

For the nine months ended September 30, 2025, cash flows used in operating activities were \$34.7 million. Cash used primarily related to a net loss of \$44.0 million, adjusted for a \$0.1 million change in working capital accounts and \$9.2 million in non-cash expenses (including \$4.1 million related to share-based compensation, \$4.1 million related to depreciation and amortization, \$2.5 million related to prepaid expenses and other current assets, and \$1.6 million in assets held for sale carrying value adjustments, partially offset by \$1.8 million related to accounts payable, accrued expenses and other liabilities and \$0.7 million related to gain on asset sales).

For the nine months ended September 30, 2024, cash flows used in operating activities were \$43.3 million. Cash used primarily related to a net loss of \$37.7 million, adjusted for a \$13.6 million change in working capital accounts and \$7.9 million in non-cash expenses (including \$6.7 million related to accounts payable, accrued expenses and other liabilities, \$5.2 million related to prepaid expenses and other current assets, and \$2.1 million related to gain on asset sales, partially offset by \$5.6 million in assets held for sale carrying value adjustments and \$3.5 million related to share-based compensation).

Cash from Investing Activities

For the nine months ended September 30, 2025, cash flows provided by investing activities were \$43.9 million. Cash provided related to the sale or maturity of investments of \$101.0 million and the proceeds from sale of assets of \$1.2 million, offset by the purchase of investments of \$36.3 million and acquired property and equipment of \$22.0 million.

For the nine months ended September 30, 2024, cash flows provided by investing activities were \$64.9 million. Cash provided related to the sale or maturity of investments of \$126.7 million and the proceeds from sale of assets of \$4.1 million, partially offset by the purchase of investments of \$55.4 million and acquired property and equipment of \$10.5 million.

Cash from Financing Activities

For the nine months ended September 30, 2025, cash flows used in financing activities were \$0.6 million, primarily due to taxes paid related to the net share settlement of equity awards.

For the nine months ended September 30, 2024, cash flows used in financing activities were \$14.3 million, primarily due to treasury stock repurchases.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we applied the same critical accounting policies as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, supplemented by those described below, that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenues and expenses.

Share-Based Compensation

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

In the first quarter of 2025, we granted 2.7 million market-conditioned restricted stock units that may vest between February 18, 2026 and December 31, 2027 contingent upon achieving underlying closing stock price thresholds. These awards were valued at \$1.46 per unit using fair value hierarchy Level III inputs including an underlying share volatility of 90% and a risk-free rate of 4.23%.

If we were to utilize different assumptions including the estimate of underlying share volatility of our market-conditioned awards, share-based compensation cost could be under or overstated. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate any remaining unearned share-based compensation cost or incur incremental cost. Share-based compensation cost affects our research and development and selling, general and administrative expenses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined in Rule 12b-2 under the Exchange Act. As a result, pursuant to Item 305(e) of Regulation S-K, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Based on our management's evaluation (with the participation of our Principal Executive Officer and Principal Financial Officer) of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, our Principal Executive Officer and Principal Financial Officer have concluded that, at September 30, 2025, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Investing in our securities involves risk. Before you make a decision to buy our securities, in addition to the risks and uncertainties discussed above under "Cautionary Note Regarding Forward-Looking Statements," and in our 2024 Annual Report on Form 10-K, you should carefully consider the specific risks set forth herein. If any of these risks actually occur, it may materially harm our business, financial condition, liquidity and results of operations. As a result, the market price of our securities could decline, and you could lose all or part of your investment. Additionally, the risks and uncertainties described are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may become material and adversely affect our business.

Changes in U.S. tariff policies may materially and adversely affect our business.

The U.S. government has been conducting a broad review of U.S. trade relations and has issued numerous executive orders and other public policy statements imposing, or threatening to impose, tariffs on certain countries, materials, and industries. In response, impacted countries have imposed or threatened various corresponding retaliatory tariffs. While some of these tariffs have been rescinded or delayed, others remain and all are subject to potential increases. As a result, the imposition of tariffs by the U.S. government and any retaliatory tariffs imposed in response is uncertain, including in the amount, applicability and duration of such tariffs. Presently, we import parts and supplies from overseas manufacturers, including certain components used in our additive printing machines from Germany and R&D and production components from China. Given the uncertain nature of the impact of tariffs on our component costs, we may be subject to an increase in the cost of these imported items. If we do experience increased costs, we may not be able to pass these costs on to customers.

Furthermore, the economic impact of the tariffs currently announced or that may be announced in the future, may impact the global supply chain and result in increased shipping costs or delays.

Any significant variation from our expectations regarding our manufacturing costs, including due to tariffs or supply chain issues, could have a material adverse effect on our results of operations, financial condition and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Issuer Purchases of Equity Securities

The following table provides information regarding repurchases of our Common Stock during the quarter ended September 30, 2025:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
July 1 - 31, 2025	—	\$ —	10,610,070	\$ 6,144,349
August 1 - 31, 2025	—	\$ —	10,610,070	\$ 6,144,349
September 1 - 30, 2025	—	\$ —	10,610,070	\$ 6,144,349
Total	—		10,610,070	

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

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Second Amended and Restated Certificate of Incorporation of the Company, dated October 1, 2020 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 001-38823) filed with the SEC on October 7, 2020).
3.2	Amended and Restated Bylaws of the Company, dated October 1, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (File No. 001-38823) filed with the SEC on October 7, 2020).
31.1*	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibits 101)

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Date: November 11, 2025

HYLIION HOLDINGS CORP.

/s/ Thomas Healy

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

/s/ Jon Panzer

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

Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Thomas Healy, certify that:

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

Date: November 11, 2025

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

Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jon Panzer, certify that:

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

Date: November 11, 2025

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

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

In connection with the Quarterly Report of Hyliion Holdings Corp. (the “Company”) on Form 10-Q for the period ended September 30, 2025, as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Thomas Healy, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in this Report.

Date: November 11, 2025

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

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

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

In connection with the Quarterly Report of Hyliion Holdings Corp. (the “Company”) on Form 10-Q for the period ended September 30, 2025, as filed with the Securities and Exchange Commission on or about the date hereof (the “Report”), I, Jon Panzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in this Report.

Date: November 11, 2025

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

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