

PROSPECTUS SUPPLEMENT NO. 2  
(To the Prospectus dated June 17, 2022)



Up to 66,655,781 Shares of Common Stock  
(Including up to 6,000,000 Shares of Common Stock Issuable Upon Exercise of Warrants)  
Up to 6,000,000 Warrants to Purchase Common Stock

This prospectus supplement supplements the prospectus, dated June 17, 2022 (as amended or supplemented, the “**Prospectus**”), which forms a part of our registration statement on Form S-1 (No. 333-258358). This prospectus supplement is being filed to update and supplement the information in the Prospectus with the information contained in our Quarterly Report on Form 10-Q for the quarterly period ended October 2, 2022 filed with the Securities and Exchange Commission on November 4, 2022 (the “**Quarterly Report**”). Accordingly, we have attached the Quarterly Report to this prospectus supplement.

The Prospectus and this prospectus supplement relate to the issuance by us of up to 6,000,000 shares of our common stock, \$0.0001 par value per share (the “**Common Stock**”), that are issuable upon the exercise of 6,000,000 warrants (the “**Private Placement Warrants**”) originally issued in a private placement to the initial stockholder of Rodgers Capital, LLC (the “**Sponsor**”) in connection with the initial public offering of Rodgers Silicon Valley Acquisition Corp. (“**RSVAC**”). We will receive the proceeds from any exercise of any Private Placement Warrants for cash.

The Prospectus and this prospectus supplement also relate to the offer and sale from time to time by the selling securityholders named in the Prospectus or their permitted transferees (the “**Selling Securityholders**”) of

- up to 66,655,781 shares of Common Stock consisting of
  - up to 12,500,000 shares of Common Stock issued in a private placement pursuant to subscription agreements (“**Subscription Agreements**”) entered into on February 22, 2021,
  - up to 6,000,000 shares of Common Stock issuable upon exercise of the Private Placement Warrants,
  - up to 736,769 shares of Common Stock issuable upon the exercise of stock options,
  - up to 5,750,000 shares of Common Stock issued pursuant to that certain Subscription Agreement, dated September 24, 2020, by and between the Company and the Sponsor, and
  - up to 41,669,012 shares of Common Stock issued pursuant to that certain Agreement and Plan of Merger, dated as of February 22, 2021, by and among the Company, RSVAC Merger Sub Inc. and Enovix Operations Inc. (f/k/a Enovix Corporation) and subject to that certain Amended and Restated Registration Rights Agreement, dated July 14, 2021, between us and certain Selling Securityholders granting such holders registration rights with respect to such shares, and
- up to 6,000,000 Private Placement Warrants. We will not receive any proceeds from the sale of shares of Common Stock or Private Placement Warrants by the Selling Securityholders pursuant to the Prospectus and this prospectus supplement.

The Selling Securityholders may offer, sell or distribute all or a portion of the securities hereby registered publicly or through private transactions at prevailing market prices or at negotiated prices. We will not receive any of the proceeds from such sales of the shares of Common Stock or Private Placement Warrants, except with respect to amounts received by us upon exercise of the Private Placement Warrants. We will bear all costs, expenses and fees in connection with the registration of these securities, including with regard to compliance with state securities or “blue sky” laws. The Selling Securityholders will bear all commissions and discounts, if any, attributable to their sale of shares of Common Stock or Private Placement Warrants. See the section titled “*Plan of Distribution*” in the Prospectus.

The Common Stock is listed on The Nasdaq Global Select Market under the symbol “ENVX.” On November 3, 2022, the last reported sales price of Common Stock was \$10.74 per share.

This prospectus supplement should be read in conjunction with the Prospectus, including any amendments or supplements thereto, which is to be delivered with this prospectus supplement. This prospectus supplement is qualified by reference to the Prospectus, including any amendments or supplements thereto, except to the extent that the information in this prospectus supplement updates and supersedes the information contained therein.

This prospectus supplement is not complete without, and may not be delivered or utilized except in connection with, the Prospectus, including any amendments or supplements thereto.

We are an “emerging growth company” and a “smaller reporting company” as defined under U.S. federal securities laws and, as such, have elected to comply with reduced public company reporting requirements. The Prospectus complies with the requirements that apply to an issuer that is an emerging growth company and a smaller reporting company. We are incorporated in Delaware.

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**Investing in our securities involves a high degree of risk. You should review carefully the risks and uncertainties described in the section titled “[Risk Factors](#)” beginning on page 7 of the Prospectus, and under similar headings in any amendments or supplements to the Prospectus.**

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or passed upon the accuracy or adequacy of this prospectus supplement or the Prospectus. Any representation to the contrary is a criminal offense.**

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**Prospectus Supplement dated November 4, 2022**

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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 October 2, 2022

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Enovix Corporation**

(Exact Name of Registrant as Specified in Charter)

(Successor to RODGERS SILICON VALLEY ACQUISITION CORP.)

Delaware	001-39753	85-3174357
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)
3501 W Warren Avenue		
<u>Fremont, California 94538</u>		
(Address of Principal Executive Offices) (Zip Code)		
<u>(510) 695-2350</u>		
(Registrant's Telephone Number, Including Area Code)		

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	ENVX	The Nasdaq Global Select Market

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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

As of October 31, 2022, 157,103,967 shares of common stock, par value \$0.0001 per share, were issued and outstanding.

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## FORWARD LOOKING STATEMENTS

This Quarterly Report on 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”). The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements. Our forward-looking statements include, but are not limited to, statements regarding our or our management’s expectations, hopes, beliefs, intentions or strategies regarding the future. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipates,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements in this Quarterly Report on Form 10-Q may include, for example, statements about our:

- ability to build and scale our advanced silicon-anode lithium-ion battery, our production and commercialization timeline;
- ability to meet milestones and deliver on our objectives and expectations, the implementation and success of our products, technologies, business model and growth strategy, various addressable markets, market opportunity and the expansion of our customer base;
- ability to meet the expectations of new and current customers, our ability to achieve market acceptance for our products;
- financial performance, including revenue, expenses and projections thereof;
- ability to convert our revenue funnel to purchase orders and revenue;
- placement of equipment orders for our next-generation manufacturing lines, the speed of and space requirements for our next-generation manufacturing lines relative to our existing lines at Fab-1 in Fremont;
- factory sites and related considerations, including site selection, location and timing of build-out, and benefits thereof; and
- ability to attract and hire additional service providers, the strength of our brand, the build-out of additional production lines, our ability to optimize our manufacturing process, our future product development and roadmap and the future demand for our lithium-ion battery solutions.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on our current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those described in Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**ENOVIX CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(In thousands, except share and par value amounts)*  
*(Unaudited)*

	<u>October 2, 2022</u>	<u>January 2, 2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 349,007	\$ 385,293
Accounts receivable, net	6	—
Inventory	452	—
Deferred contract costs	1,539	4,554
Prepaid expenses and other current assets	4,507	8,274
Total current assets	<u>355,511</u>	<u>398,121</u>
Property and equipment, net	103,991	76,613
Operating lease, right-of-use assets	6,270	6,669
Other assets, non-current	1,787	1,162
Total assets	<u>\$ 467,559</u>	<u>\$ 482,565</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 6,816	\$ 3,144
Accrued expenses	2,476	7,109
Accrued compensation	6,169	4,101
Deferred revenue	1,373	5,575
Other liabilities	695	707
Total current liabilities	<u>17,529</u>	<u>20,636</u>
Warrant liability	80,220	124,260
Operating lease liabilities, non-current	8,449	9,071
Deferred revenue, non-current	2,964	2,290
Other liabilities, non-current	114	191
Total liabilities	<u>109,276</u>	<u>156,448</u>
Commitments and Contingencies (Note 7)		
Stockholders' equity:		
Common stock, \$0.0001 par value; authorized shares of 1,000,000,000; issued and outstanding shares of 157,077,599 and 152,272,287 as of October 2, 2022 and January 2, 2022, respectively	15	15
Preferred stock, \$0.0001 par value; authorized shares of 10,000,000; no shares issued or outstanding as of October 2, 2022 and January 2, 2022, respectively	—	—
Additional paid-in-capital	731,861	659,254
Accumulated deficit	<u>(373,593)</u>	<u>(333,152)</u>
Total stockholders' equity	<u>358,283</u>	<u>326,117</u>
Total liabilities and stockholders' equity	<u>\$ 467,559</u>	<u>\$ 482,565</u>

See accompanying notes to these condensed consolidated financial statements.

**ENOVIX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(In thousands, except share and per share amounts)*  
*(Unaudited)*

	Quarters Ended		Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Revenue	\$ 8	\$ —	\$ 5,109	\$ —
Cost of revenue	6,629	104	12,883	1,847
Gross margin	(6,621)	(104)	(7,774)	(1,847)
Operating expenses:				
Research and development	13,948	10,301	42,506	25,413
Selling, general and administrative	13,110	8,791	36,545	17,500
Total operating expenses	27,058	19,092	79,051	42,913
Loss from operations	(33,679)	(19,196)	(86,825)	(44,760)
Other income (expense):				
Change in fair value of convertible preferred stock warrants and common stock warrants	(50,160)	8,460	44,040	3,679
Interest expense, net	—	(52)	—	(187)
Other income (expense), net	1,826	(50)	2,344	(38)
Total other income (expense), net	(48,334)	8,358	46,384	3,454
Net loss	\$ (82,013)	\$ (10,838)	\$ (40,441)	\$ (41,306)
Net loss per share, basic	\$ (0.53)	\$ (0.08)	\$ (0.27)	\$ (0.38)
Weighted average number of common shares outstanding, basic	153,332,007	133,492,216	152,497,010	109,317,614
Net loss per share, diluted	\$ (0.53)	\$ (0.14)	\$ (0.55)	\$ (0.45)
Weighted average number of common shares outstanding, diluted	153,332,007	135,052,128	153,773,271	109,854,540

See accompanying notes to these condensed consolidated financial statements.

**ENOVIX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
*(In thousands, except share amounts)*  
*(Unaudited)*

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>Balance as of January 2, 2022</b>	<b>152,272,287</b>	<b>\$ 15</b>	<b>\$ 659,254</b>	<b>\$ (333,152)</b>	<b>\$ 326,117</b>
Issuance of common stock upon exercise of stock options	91,910	—	200	—	200
Issuance of common stock upon exercise of common stock warrants	4,126,466	—	47,452	—	47,452
Vesting of early exercised stock options	—	—	42	—	42
Vesting of restricted stock units	34,941	—	—	—	—
Repurchase of unvested restricted common stock	(105,886)	—	—	—	—
Stock-based compensation	—	—	4,536	—	4,536
Net income	—	—	—	42,707	42,707
<b>Balance as of April 3, 2022</b>	<b>156,419,718</b>	<b>15</b>	<b>711,484</b>	<b>(290,445)</b>	<b>421,054</b>
Issuance of common stock upon exercise of stock options	46,807	—	77	—	77
Issuance of common stock under employee stock purchase plan	126,574	—	1,113	—	1,113
Vesting of early exercised stock options	—	—	28	—	28
Vesting of restricted stock units	115,990	—	—	—	—
Repurchase of unvested restricted common stock	(30,399)	—	—	—	—
Stock-based compensation	—	—	7,603	—	7,603
Net loss	—	—	—	(1,135)	(1,135)
<b>Balance as of July 3, 2022</b>	<b>156,678,690</b>	<b>15</b>	<b>720,305</b>	<b>(291,580)</b>	<b>428,740</b>
Issuance of common stock upon exercise of stock options	204,483	—	1,775	—	1,775
Vesting of early exercised stock options	—	—	28	—	28
Vesting of restricted stock units	209,156	—	—	—	—
Repurchase of unvested restricted common stock	(14,730)	—	—	—	—
Stock-based compensation	—	—	9,753	—	9,753
Net loss	—	—	—	(82,013)	(82,013)
<b>Balance as of October 2, 2022</b>	<b>157,077,599</b>	<b>\$ 15</b>	<b>\$ 731,861</b>	<b>\$ (373,593)</b>	<b>\$ 358,283</b>

See accompanying notes to these condensed consolidated financial statements.



**ENOVIX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (Continued)**  
*(In thousands, except share amounts)*  
*(Unaudited)*

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
<b>Balance as of December 31, 2020, effect of reverse acquisition</b>	<b>100,016,559</b>	<b>\$ 10</b>	<b>\$ 243,484</b>	<b>\$ (207,278)</b>	<b>\$ 36,216</b>
Issuance of common stock upon exercise of stock options	2,112,373	—	30	—	30
Vesting of early exercised stock options	—	—	24	—	24
Repurchase of unvested restricted common stock	(87,768)	—	—	—	—
Issuance of Series D convertible preferred stock upon exercise of warrants	2,020,034	—	20,877	—	20,877
Stock-based compensation	—	—	1,555	—	1,555
Net loss	—	—	—	(16,165)	(16,165)
<b>Balance as of March 31, 2021</b>	<b>104,061,198</b>	<b>10</b>	<b>265,970</b>	<b>(223,443)</b>	<b>42,537</b>
Issuance of common stock upon exercise of stock options	9,442	—	4	—	4
Vesting of early exercised stock options	—	—	29	—	29
Repurchase of unvested restricted common stock	(75,111)	—	—	—	—
Stock-based compensation	—	—	2,353	—	2,353
Net loss	—	—	—	(14,303)	(14,303)
<b>Balance as of June 30, 2021</b>	<b>103,995,529</b>	<b>10</b>	<b>268,356</b>	<b>(237,746)</b>	<b>30,620</b>
Business combination, net of redemptions and equity issuance costs and PIPE financing, net	41,249,985	4	300,741	—	300,745
Vesting of early exercised stock options	—	—	29	—	29
Repurchase of unvested restricted common stock	(59,610)	—	—	—	—
Stock-based compensation	—	—	3,150	—	3,150
Net loss	—	—	—	(10,838)	(10,838)
<b>Balance as of October 3, 2021</b>	<b>145,185,904</b>	<b>\$ 14</b>	<b>\$ 572,276</b>	<b>\$ (248,584)</b>	<b>\$ 323,706</b>

See accompanying notes to these condensed consolidated financial statements.

**ENOVIX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(In thousands)*  
*(Unaudited)*

	<b>Fiscal Years-to-Date Ended</b>	
	<b>October 2, 2022</b>	<b>October 3, 2021</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (40,441)	\$ (41,306)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	4,388	674
Amortization of right-of-use assets	407	388
Stock-based compensation	22,117	6,717
Changes in fair value of convertible preferred stock warrants and common stock warrants	(44,040)	(3,679)
Loss on early debt extinguishment	—	60
Changes in operating assets and liabilities:		
Accounts receivable	(6)	—
Inventory	(452)	—
Prepaid expenses and other assets	(2,004)	(1,645)
Deferred contract costs	3,015	(1,279)
Accounts payable	(192)	(357)
Accrued expenses and compensation	(122)	3,173
Deferred revenue	(3,527)	2,290
Other liabilities	(46)	450
Net cash used in operating activities	(60,903)	(34,514)
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(31,366)	(31,509)
Net cash used in investing activities	(31,366)	(31,509)
<b>Cash flows from financing activities:</b>		
Proceeds from Business Combination and PIPE financing	—	405,155
Payments of transaction costs related to Business Combination and PIPE financing	—	(29,641)
Proceeds from exercise of common stock warrants, net	52,828	—
Proceeds from secured promissory notes, converted promissory notes and paycheck protection program loan	—	15,000
Repayment of secured promissory note	—	(15,000)
Payment of debt issuance costs	—	(90)
Proceeds from exercise of convertible preferred stock warrants	—	102
Proceeds from the exercise of stock options	2,052	163
Proceeds from issuance of common stock under employee stock purchase plan	1,112	—
Repurchase of unvested restricted common stock	(9)	(13)
Net cash provided by financing activities	55,983	375,676
Change in cash, cash equivalents, and restricted cash	(36,286)	309,653
Cash and cash equivalents and restricted cash, beginning of period	385,418	29,218
Cash and cash equivalents, and restricted cash, end of period	\$ 349,132	\$ 338,871
<b>Supplemental cash flow data (Non-cash):</b>		
Net liabilities assumed from Business Combination	\$ —	\$ 73,400
Purchase of property and equipment included in liabilities	4,689	2,606
Accrued transaction costs	794	1,370

See accompanying notes to these condensed consolidated financial statements.

**ENOVIX CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
*(In thousands)*  
*(Unaudited)*

The following presents the Company's cash, cash equivalents and restricted cash by category in the Company's Condensed Consolidated Balance Sheets:

	<b>Fiscal Years-to-Date Ended</b>	
	<b>October 2, 2022</b>	<b>October 3, 2021</b>
Cash and cash equivalents	\$ 349,007	\$ 338,746
Restricted cash included in prepaid expenses and other current assets	125	125
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 349,132</b>	<b>\$ 338,871</b>

See accompanying notes to these condensed consolidated financial statements.

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*(Unaudited)*

**Note 1. Organization and Basis of Presentation**

**Organization**

Enovix Corporation (“Enovix” or the “Company”) was incorporated in Delaware in 2006. The Company designs, develops, and manufactures an advanced silicon-anode lithium-ion battery using proprietary 3D cell architecture that increases energy density and maintains a high cycle life. The Company is headquartered in Fremont, California.

The Company is focused on the development and commercialization of its silicon-anode lithium-ion batteries. Starting in the second quarter of 2022, the Company commenced its planned principal operations of commercial manufacturing and began to generate revenue from its planned principal business activities.

**Business Combination**

On July 14, 2021 (the “Closing Date”), Enovix Corporation, a Delaware Corporation (“Legacy Enovix”), Rodgers Silicon Valley Acquisition Corp. (“RSVAC”), and RSVAC Merger Sub Inc., a Delaware Corporation and wholly owned subsidiary of RSVAC (“Merger Sub”), consummated the closing of the transactions contemplated by the Agreement and Plan of Merger, dated February 22, 2021 (the “Business Combination”), by and among RSVAC, Merger Sub and Legacy Enovix (the “Merger Agreement”), following the approval at a special meeting of the stockholders of RSVAC held on July 12, 2021 (the “Special Meeting”). Following the consummation of the Business Combination on the Closing Date, Legacy Enovix changed its name to Enovix Operations Inc., and RSVAC changed its name from Rodgers Silicon Valley Acquisition Corp. to Enovix Corporation. Please refer to Note 3 “Business Combination” to the consolidated financial statements for the fiscal year ended January 2, 2022 included in the Company’s Annual Report on Form 10-K for the fiscal year ended January 2, 2022, filed with the Securities and Exchange Commission (the “SEC”) on March 25, 2022 (the “Annual Report”) for further details of the Business Combination.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation and Consolidation**

The accompanying condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States (“GAAP”). The condensed consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and the Business Combination from the Closing Date. All intercompany balances and transactions have been eliminated in consolidation.

The Business Combination has been accounted for as a reverse recapitalization under GAAP. This determination is primarily based on Legacy Enovix stockholders comprising a relative majority of the voting power of Enovix and having the ability to nominate the members of the Board, Legacy Enovix’s operations prior to the acquisition comprising the only ongoing operations of Enovix, and Legacy Enovix’s senior management comprising a majority of the senior management of Enovix. Under this accounting method, RSVAC was treated as the “acquired” company and Legacy Enovix was treated as the acquirer for financial reporting purposes. Accordingly, for accounting purposes, the financial statements of Enovix represent a continuation of the financial statements of Legacy Enovix with the Business Combination being treated as the equivalent of Enovix issuing common stock for the net assets of RSVAC, accompanied by a recapitalization. The net liabilities of RSVAC, other than its warrant liabilities, were stated at historical cost, which approximates to its fair values. Its warrant liabilities were stated at its fair values and no goodwill or other intangible assets were recorded. Results of operations prior to the Business Combination are presented as those of Enovix. Beginning in the third quarter of 2021, historical shares and corresponding capital amounts, as well as for net loss per share, prior to the Business Combination, have been retrospectively adjusted using the exchange ratio as defined in the Business Combination for the equivalent number of shares outstanding immediately after the Business Combination to the effect the reverse recapitalization.

The Company did not have any other comprehensive income or loss for the periods presented. Accordingly, net loss and comprehensive loss are the same for the periods presented. Additionally, the Company did not have any income tax expenses for the periods presented.

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(Unaudited)

**Liquidity and Capital Resources**

The Company has incurred operating losses and negative cash flows from operations since its inception through October 2, 2022 and expects to incur operating losses for the foreseeable future. As of October 2, 2022, the Company had a working capital of \$338.0 million and an accumulated deficit of \$373.6 million. In connection with the Business Combination in July 2021, the Company raised approximately \$373.7 million of net proceeds, after deducting transaction costs and estimated offering related expenses. Please refer to Note 3 “Business Combination” of the notes to the consolidated financial statements for the fiscal year ended January 2, 2022 included in the Annual Report for more information. In December 2021, the Company received \$77.2 million of gross proceeds from the exercises of the Public Warrants (as defined under the heading “Common Stock Warrants” in Note 8 “Warrants”), which were being traded in the Nasdaq Global Select Market (“Nasdaq”). In January 2022, the Company received \$52.8 million of net proceeds from the exercise of the Public Warrants. The Company plans to use the proceeds from the exercises of the Public Warrants for general corporate purposes.

Based on the anticipated spending, cash received from the Business Combination, net proceeds from the exercises of the Public Warrants and timing of expenditure, the Company currently expects that its cash will be sufficient to meet its funding requirements over the next twelve months. Going forward, the Company may require additional financing for its future operations and expansion. The accompanying condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

**Unaudited Interim Condensed Consolidated Financial Statements**

The Condensed Consolidated Balance Sheet as of October 2, 2022, the Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Changes in Shareholders’ equity for the quarters and fiscal years-to-date ended October 2, 2022 and October 3, 2021, and the Condensed Consolidated Statements of Cash Flows for the fiscal years-to-date ended October 2, 2022 and October 3, 2021 are unaudited. These accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC for interim financial reporting. In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring items, considered necessary to present fairly the Company’s financial condition, results of operations, stockholders’ equity and cash flows for the periods presented above. The results of operations for the quarter and fiscal year-to-date ended October 2, 2022 are not necessarily indicative of the operating results for the full year, and therefore should not be relied upon as an indicator of future results. The Condensed Consolidated Balance Sheet as of January 2, 2022 included herein was derived from the audited consolidated financial statements as of that date and the accompanying consolidated financial statements and related notes are included in the Annual Report.

**Use of Estimates**

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the condensed consolidated financial statements and accompanying notes during the reporting periods. Estimates and assumptions include but are not limited to: depreciable lives for property and equipment, the valuation allowance on deferred tax assets, assumptions used in stock-based compensation, incremental borrowing rate for operating right-of-use assets and lease liabilities, and estimates to fair value convertible preferred stock warrants and common stock warrants. Management bases its estimates on historical experience and on various other market-specific and relevant assumptions that it believes to be reasonable under the circumstances. In the preparation of our condensed consolidated financial statements, the Company has considered potential impacts of the COVID-19 pandemic on its critical and significant accounting estimates. There was no significant impact to its condensed consolidated financial statements. The Company will continue to evaluate the nature and extent of the potential impacts to its business and its condensed consolidated financial statements.

**Summary of Significant Accounting Policies**

As the Company commenced its planned principal operations of commercial manufacturing in the second quarter of 2022 and adopted Accounting Standards Update (“ASU”), 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), the Company has the following new additions and updates to the significant accounting policies disclosed in Note 2 “Summary of Significant Accounting Policies,” of the notes to the consolidated financial statements for the fiscal year ended January 2, 2022 included in the Annual Report.

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

*Revenue Recognition*

In June 2022, the Company has begun to generate revenue from its planned principal business activities. The Company recognizes revenue within the scope of Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers (“ASC 606”)*. The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The following five steps are applied to achieve that core principle:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when the company satisfies a performance obligation.

The Company’s revenue consists of product revenue, resulting from the sale of silicon-anode lithium-ion batteries as well as battery pack products (“Product Revenue”), and service revenue, resulting from payments received from its customers based on executed engineering revenue contracts for the development of silicon-anode lithium-ion battery technology (“Service Revenue”).

Service Revenue

For more details on revenue recognition on Service Revenue, please refer to Note 2 “Summary of Significant Accounting Policies” to the consolidated financial statements for the fiscal year ended January 2, 2022 included in the Annual Report.

Product Revenue

Product Revenue is recognized once the Company has satisfied the performance obligations and the customer obtains control of the goods at a point in time under the revenue recognition criteria. Product Revenue is recognized in an amount that reflects the consideration for the corresponding performance obligations for the silicon-anode lithium-ion batteries or battery pack products transferred.

For the quarter ended October 2, 2022, the Company recognized immaterial amount of revenue. For the fiscal year-to-date ended October 2, 2022, the Company recognized \$5.1 million of total revenue, of which \$5.1 million represented Service Revenue and an immaterial amount was for Product Revenue. Customer A represented \$5.0 million of the Company’s total revenue.

As of October 2, 2022 and January 2, 2022, total deferred revenue was \$4.3 million and \$7.9 million, respectively, and total deferred contract costs were \$1.5 million and \$4.6 million, respectively.

Product Warranties

The Company provides product warranties, which cover certain repair or replacement under the revenue contracts and they generally range from one to three years. Estimated costs related to warranties are recorded in the same period when the product sales occur. The warranty liability reflects management’s best estimates of such costs and are recognized as cost of revenue. The Company continuously monitors its product returns for warranty failures and maintains a reserve for the related warranty expenses based on various factors, including historical warranty claims, results of accelerated lab testing, field monitoring, vendor reliability estimates, and data on industry averages for similar products. Due to the potential for variability in these underlying factors, the difference between the estimated costs and the actual costs could be material to the Company’s condensed consolidated financial statements. If actual product failure rates or the frequency or severity of reported claims differ from the estimates, the Company may be required to revise its estimated warranty liability. As of October 2, 2022, the Company’s warranty liability on the Condensed Consolidated Balance Sheet was immaterial.

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

*Trade Accounts Receivable and Allowance for Credit Losses*

The Company's accounts receivables are recorded at invoiced amounts less allowance for any credit losses. According to ASU 2016-13, the Company recognizes credit losses based on a forward-looking current expected credit losses ("CECL"). The Company makes estimates of expected credit losses based upon its assessment of various factors, including the age of accounts receivable balances, credit quality of its customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. The allowance for credit losses are recognized in the Condensed Consolidated Statement of Operations. The uncollectible accounts receivables are written off in the period in which a determination is made that all commercially reasonable means of recovering them have been exhausted. The Company recognized an immaterial amount of allowance for expected credit loss as of October 2, 2022 and there was no write-off of accounts receivable for the periods presented. As of October 2, 2022, the Company's accounts receivable, net was immaterial.

*Credit Losses*

The Company is exposed to credit losses primarily through its available-for-sale investments. The Company invests excess cash in marketable securities with high credit ratings that are classified in Level 1 and Level 2 of the fair value hierarchy. The Company's investment portfolio at any point in time contains investments in U.S. treasury and U.S. government agency securities, taxable and tax-exempt municipal notes, corporate notes and bonds, commercial paper, non-U.S. government agency securities and money market funds, and are classified as available-for-sale. The Company assesses whether its available-for-sale investments are impaired at each reporting period. Unrealized losses or impairments resulting from the fair value of the available-for-sale debt security being below the amortized cost basis are evaluated for identification of credit losses and non-credit related losses. Any credit losses are charged to earnings against the allowance for credit losses of the debt security, limited to the difference between the fair value and the amortized cost basis of the debt security. Any difference between the fair value of the debt security and the amortized cost basis, less the allowance for credit losses, are reported in other comprehensive income (loss). Expected cash inflows due to improvements in credit are recognized through a reversal of the allowance for credit losses subject to the total allowance previously recognized. The Company's expected loss allowance methodology for the debt securities is developed by reviewing the extent of the unrealized loss, the size, term, geographical location, and industry of the issuer, the issuers' credit ratings and any changes in those ratings, as well as reviewing current and future economic market conditions and the issuers' current status and financial condition. The Company considered the current and expected future economic and market conditions and determined that the estimate of credit losses was not significantly impacted. As of October 2, 2022, the Company has not recognized an allowance for expected credit losses related to available-for-sale investments as the Company did not have available-for-sale investments.

*Inventory*

Inventory is stated at the lower of cost or net realizable value on a first-in and first-out basis. Inventory costs include direct materials, direct labor, and normal manufacturing overhead. The cost basis of the Company's inventory is reduced for any products that are considered excessive or obsolete based upon assumptions about future demand and market conditions. Additionally, the cost basis of the Company's inventory does not include any unallocated fixed overhead costs associated with abnormally low utilization of its factories. See Note 5 "Inventory" for more information.

*Property and Equipment*

Property and equipment are stated at the Company's original cost, net of accumulated depreciation. Construction in process is related to the construction or development of property and equipment that have not yet been placed in service for their intended use.

In the second quarter of 2022, the Company placed its leasehold improvement and machinery and equipment into service for the Company's first production line and updated the estimated useful lives for its property and equipment. As of October 2, 2022, the Company's second production line was not yet placed into service as it remains under construction.

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

Costs for capital assets not yet placed into service are capitalized as construction in process on the Condensed Consolidated Balance Sheets and will be depreciated once placed into service.

Property and equipment are depreciated or amortized using the straight-line method over the estimated useful lives of the following assets below.

	<b>Estimated Useful Life (in Years)</b>
Machinery and equipment	2 - 10
Office equipment and software	3 - 5
Furniture and fixtures	3 - 5
Leasehold improvements	Shorter of the economic life or the remaining lease term

When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in the Condensed Consolidated Statement of Operations in the period of disposition. Maintenance and repairs that do not improve or extend the lives of the respective assets are expensed in the Condensed Consolidated Statement of Operations in the period incurred. See Note 4 "Property and Equipment" for more information.

### Emerging Growth Company Status

The Company currently qualifies as an "emerging growth company" ("EGC"), as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, EGC's can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. Other than the adoption of Accounting Standards Codification ("ASC") 842, *Leases*, as discussed below, the Company has elected to use this extended transition period under the JOBS Act until such time the Company is no longer considered to be an EGC.

On the last business day of the second fiscal quarter of 2022, the aggregate worldwide market value of shares of common stock held by the Company's non-affiliate stockholders exceeded \$700 million. As a result, as of this fiscal year end, January 1, 2023, the Company will be deemed a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934 and the Company will cease to be an EGC. The Company will no longer be exempt from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002, as amended, and the independent registered public accounting firm will evaluate and report on the effectiveness of internal control over financial reporting.

### Recently Adopted Accounting Pronouncements

Effective January 3, 2022, the Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changed the impairment model for most financial assets and certain other instruments. The Company adopted ASU 2016-13 using a modified retrospective transition method, which required a cumulative-effect adjustment to the opening balance of retained earnings to be recognized on the date of adoption with prior periods not restated. The adoption of this ASU 2016-13 did not have a material impact on its condensed consolidated financial statements. See "Credit Losses" above for a description of the Company's credit losses accounting policy.

### Note 3. Fair Value Measurement

The fair value of the Company's financial assets and liabilities are determined in accordance with the fair value hierarchy established in ASC 820 *Fair Value Measurements*, issued by the Financial Accounting Standards Board. The fair value hierarchy of ASC 820 requires an entity to maximize the use of observable inputs when measuring fair value and classifies those inputs into three levels:



**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

- Level 1: Observable inputs, such as quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2: Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and the warrant liabilities. Cash and cash equivalents are reported at their respective fair values on the Company's Condensed Consolidated Balance Sheets. The following table details the fair value measurements of assets and liabilities that were measured at fair value on a recurring basis based on the following three-tiered fair value hierarchy per ASC 820, *Fair Value Measurement*, as of October 2, 2022 and January 2, 2022 (in thousands).

	Fair Value Measurement using			Total Fair Value
	Level 1	Level 2	Level 3	
<b>As of October 2, 2022</b>				
<b><u>Assets:</u></b>				
Money Market Funds	\$ 344,106	\$ —	\$ —	\$ 344,106
<b><u>Liabilities:</u></b>				
Private Placement Warrants	\$ —	\$ —	\$ 80,220	\$ 80,220
<b>As of January 2, 2022</b>				
<b><u>Liabilities:</u></b>				
Private Placement Warrants	\$ —	\$ —	\$ 124,260	\$ 124,260

The Company's liabilities are measured at fair value on a non-recurring basis, including 6,000,000 warrants that were assumed from the Business Combination and were held by Rodgers Capital, LLC (the "Sponsor") and certain of its members (the "Private Placement Warrants"). The fair value of the Private Placement Warrants is considered a Level 3 valuation and is determined using the Black-Scholes valuation model. As of October 2, 2022, the fair value of the Private Placement Warrants was \$13.37 per share with an exercise price of \$11.50 per share. The changes for Level 3 items measured at fair value on a recurring basis using significant unobservable inputs are as follows (in thousands):

	Private Placement Warrants
Fair value as of January 2, 2022	\$ 124,260
Change in fair value	(44,040)
Fair value as of October 2, 2022	<u>\$ 80,220</u>

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

	Private Placement Warrants	Convertible Preferred Stock Warrants
Fair value as of December 31, 2020	\$ —	\$ 15,995
Acquired from the Business Combination	72,900	—
Settlements	—	(20,776)
Change in fair value	(8,460)	4,781
Fair value as of October 3, 2021	<u>\$ 64,440</u>	<u>\$ —</u>

The following table summarizes the key assumptions used for determining the fair value of convertible preferred stock warrants and common stock warrants.

	Private Placement Warrants Outstanding as of October 2, 2022	Private Placement Warrants Outstanding as of January 2, 2022	Convertible Preferred Stock Warrants Exercised on February 22, 2021
Expected term (in years)	3.8	4.5	2.5 - 4.1
Expected volatility	90.0%	77.5%	75.0%
Risk-free interest rate	4.2%	1.2%	0.2% - 0.4%
Expected dividend rate	0.0%	0.0%	0.0%

**Note 4. Property and Equipment**

Property and equipment are stated at cost, net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. Property and equipment as of October 2, 2022 and January 2, 2022, consisted of the following (in thousands):

	October 2, 2022	January 2, 2022
Machinery and equipment	\$ 47,884	\$ 6,636
Office equipment and software	1,236	918
Furniture and fixtures	721	639
Leasehold improvements	23,297	1,878
Construction in process	39,832	71,133
Total property and equipment	112,970	81,204
Less: accumulated depreciation	(8,979)	(4,591)
Property and equipment, net	<u>\$ 103,991</u>	<u>\$ 76,613</u>

In the second quarter of 2022, the Company placed its leasehold improvement and machinery and equipment into service for the Company's first production line and transferred the amount that was previously capitalized as construction in process into the machinery and equipment category. The Company began its depreciation using the straight-line method on the date that machinery and equipment and leasehold improvement were placed into service. As of October 2, 2022, the Company's second production line was not yet placed into service as it remains under construction.

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

The following table summarizes the depreciation and amortization expenses related to property and equipment, which are recorded within cost of revenue, research and development expense and selling, general and administrative expense in the Condensed Consolidated Statements of Operations (in thousands).

	Quarters Ended		Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Depreciation expense	\$ 2,857	\$ 299	\$ 4,388	\$ 674

**Note 5. Inventory**

Inventory consists of the following components (in thousands).

	October 2, 2022
Raw materials	\$ 331
Work-in-process	23
Finished goods	98
Total inventory	<u>\$ 452</u>

**Note 6. Leases**

The Company leases its headquarters, engineering and manufacturing space in Fremont, California under a single non-cancelable operating lease, right of use asset with an expiration date of August 31, 2030. In March 2021, the Company entered into a new agreement to lease office space in Fremont, California under a non-cancelable operating lease that expires in April 2026 with an option to extend for five years.

The components of lease costs were as follows (in thousands):

	Quarters Ended		Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Operating lease cost	\$ 453	\$ 531	\$ 1,292	\$ 1,273

Supplemental lease information:

Operating leases	As of	
	October 2, 2022	January 2, 2022
Weighted-average remaining lease term	7.9 years	8.7 years
Weighted-average discount rate	6.8%	6.8%

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

Supplemental cash flow information related to leases are as follows (in thousands):

	Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,022	\$ 1,084
Lease liabilities arising from obtaining ROU assets:		
Operating leases	\$ —	\$ 8,763

#### Maturities of Lease Liabilities

The following is a schedule of maturities of lease liabilities as of October 2, 2022 (in thousands).

	Operating lease
2022 (remaining three months)	\$ 343
2023	1,406
2024	1,449
2025	1,492
2026	1,491
Thereafter	5,774
<b>Total</b>	<b>11,955</b>
Less: imputed interest	(2,907)
<b>Present value of lease liabilities</b>	<b>\$ 9,048</b>

#### Note 7. Commitments and Contingencies

##### Purchase Commitments

As of October 2, 2022 and January 2, 2022, the Company's commitments included approximately \$21.2 million and \$17.4 million, respectively, of the Company's open purchase orders and contractual obligations that occurred in the ordinary course of business, including commitments with contract manufacturers and suppliers for which the Company has not received the goods or services, commitments for capital expenditures and construction-related activities for which the Company has not received the services. Although open purchase orders are considered enforceable and legally binding, the terms generally allow the Company the option to cancel, reschedule, and adjust its requirements based on its business needs prior to the delivery of goods or performance of services. For lease obligations, please refer to Note 6 "Leases" for more details.

##### Litigation

*Derek Boxhorn v. Rodgers Silicon Valley Acquisition Corp., et al., 1:21-cv-02900 (SDNY)*

On April 5, 2021, Derek Boxhorn filed a complaint in the United States District Court for the Southern District of New York against RSVAC and RSVAC's board of directors. The plaintiff alleged, among other things, that the defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934, and that the individual defendants breached their fiduciary duties, in connection with the terms of the Business Combination, and that RSVAC's registration statement contained materially incomplete and misleading information regarding the Business Combination. The plaintiff sought, among other things, unspecified monetary damages, attorney's fees and costs and injunctive relief, including enjoining the Business Combination. The case was voluntarily dismissed on October 19, 2021. After the dismissal and on December 3, 2021, the plaintiff filed a motion for attorneys' fees and costs. On August 23, 2022, the court denied the plaintiff's motion for attorney's fees and the case is closed.

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

*Sopheak Prak et al. v. Enovix Corporation et al., 22CV005846, Superior Court of California, Alameda County*

On January 21, 2022, two former machine operator employees filed a putative wage and hour class action lawsuit against Enovix and co-defendant Legendary Staffing, Inc. in the Superior Court of California, County of Alameda. The case is captioned *Sopheak Prak & Ricardo Pimentel v Enovix Corporation and Legendary Staffing, Inc.*, 22CV005846. The Prak complaint alleges, among other things, on a putative class-wide basis, that the defendants failed to pay all overtime wages and committed meal period, rest period and wage statement violations under the California Labor Code and applicable Wage Orders. The plaintiffs are seeking unpaid wages, statutory penalties and interest and reasonable costs and attorney fees. In September 2022, the Company began the mediation process. Based on the current knowledge of the legal proceeding, an estimate of possible loss liability has been recorded on the Condensed Consolidated Balance Sheet as of October 2, 2022.

From time to time, the Company may become involved in various legal proceedings arising in the ordinary course of its business. The Company is not currently a party to any other potentially material legal proceedings, and the Company is not aware of any pending or threatened legal proceeding against the Company that the Company believes could have a material adverse effect on the Company's business, operating results or financial condition. As of October 2, 2022, the Company established an accrued liability on the Condensed Consolidated Balance Sheet and recorded a corresponding amount as an operating expense on its Condensed Consolidated Statement of Operations. The Company continues to monitor the development of its legal proceedings that could affect its previously established accrued liability and require an adjustment to it.

**Guarantees and Indemnifications**

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnifications. The Company's exposure under these agreements is unknown because it involves claims that may be made against the Company in the future but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

The Company also has indemnification obligations to its officers and directors for specified events or occurrences, subject to some limits, while they are serving at the Company's request in such capacities. There have been no claims to date and the Company has director and officer insurance that may enable the Company to recover a portion of any amounts paid for future potential claims. The Company believes the fair value of these indemnification agreements is minimal. Accordingly, the Company has not recorded any liabilities relating to these obligations for the period presented.

**Note 8. Warrants**

**Legacy Enovix Series D Convertible Preferred Stock Warrants**

On February 22, 2021, in a transaction separate from the Merger Agreement, the then outstanding Legacy Enovix Series D convertible preferred stock warrants were exercised at \$0.01 per share, resulting in the issuance of 10,160,936 shares of Legacy Enovix Series D convertible preferred stock to the holders of such warrants, for a total of \$0.1 million. As of October 2, 2022 and January 2, 2022, there were no convertible preferred stock warrants outstanding.

**Common Stock Warrants**

In connection with the Business Combination in July 2021, the Company assumed 17,500,000 Common Stock Warrants outstanding, which consisted of 11,500,000 warrants held by third-party investors (the "Public Warrants") and 6,000,000 Private Placement Warrants. The Public Warrants met the criteria for equity classification and the Private Placement Warrants are classified as liability.

*Public Warrants*

On December 7, 2021, the Company delivered the notice of redemption to the holders of the outstanding Public Warrants to redeem all of its outstanding Public Warrants. The holders of the Public Warrants had until January 7, 2022 to exercise their Public Warrants. Any public warrants that remained unexercised after 5:00 pm, New York City Time, on

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

January 7, 2022 were voided and were no longer exercisable, and the holders of the Public Warrants would be entitled to receive \$0.01 per warrant.

As of January 2, 2022, the Company had 4,322,106 Public Warrants outstanding. During the period from January 3, 2022 through January 7, 2022, there were 4,126,466 shares of the Public Warrants exercised with gross proceeds of \$47.5 million. As of January 7, 2022 after 5:00 pm New York City time, there were 195,640 warrant remained unexercised, which were voided and were no longer exercisable. Pursuant to the warrant agreement, the holders of the Public Warrants were entitled to receive \$0.01 per warrant from the Company. In addition, the Public Warrants were delisted and were no longer available for trading in the Nasdaq on January 7, 2022 after close of market.

On January 19, 2022, the Company received net proceeds of \$52.8 million from the warrant exercises, including the \$5.3 million of other receivable included in Prepaids and other current assets on the Consolidated Balance Sheet as of January 2, 2022. As of October 2, 2022, there were no Public Warrants outstanding.

*Private Placement Warrants*

The 6,000,000 Private Placement Warrants were originally issued in a private placement to the initial stockholder of the Sponsor in connection with the initial public offering of RSVAC. Each whole Private Placement Warrant became exercisable for one whole share of the Company's common stock at a price of \$11.50 per share on December 5, 2021. As of October 2, 2022, the Company had 6,000,000 Private Placement Warrants outstanding. See Note 3 "Fair Value Measurement" for more information.

**Note 9. Net Loss per Share**

The Company computes net earnings per share ("EPS") of common stock using the two-class method. Basic EPS is computed using net income (loss) divided by the weighted-average number of common stock shares outstanding. Diluted EPS is computed using net income (loss) with an adjustment of changes in fair value of the Private Placement Warrants recorded in earnings divided by the total of weighted-average number of common stock shares outstanding and any dilutive potential common stock shares outstanding. Dilutive potential common stock shares included the assumed stock options exercises, vesting and issuance activities of restricted stock units and estimated common stock issuance under the employee stock purchase plan.

In connection with the Business Combination, shares of the Company's common stock and all potentially dilutive securities for the prior periods were retroactively adjusted based on the exchange ratio established in the Business Combination. Please refer to Note 3 "Business Combination" to the consolidated financial statements for the fiscal year ended January 2, 2022 included in the Annual Report.

The following table sets forth the computation of the Company's basic and diluted net EPS of common stock for the periods presented below (in thousands, except share and per share amount):

**ENOVIX CORPORATION**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

	Quarters Ended		Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
<i>Numerator:</i>				
Net loss attributable to common stockholders - basic	\$ (82,013)	\$ (10,838)	\$ (40,441)	\$ (41,306)
Increase in fair value of Private Placement Warrants	—	(8,460)	(44,040)	(8,460)
Net loss attributable to common stockholders - diluted	\$ (82,013)	\$ (19,298)	\$ (84,481)	\$ (49,766)
<i>Denominator:</i>				
Weighted-average shares outstanding used in computing net loss per share of common stock, basic	153,332,007	133,492,216	152,497,010	109,317,614
Dilutive effect of Private Placement Warrants	—	1,559,912	1,276,261	536,926
Weighted-average shares outstanding used in computing net loss per share of common stock, diluted	153,332,007	135,052,128	153,773,271	109,854,540
<i>Net loss per share of common stock:</i>				
Basic	\$ (0.53)	\$ (0.08)	\$ (0.27)	\$ (0.38)
Diluted	\$ (0.53)	\$ (0.14)	\$ (0.55)	\$ (0.45)

As the Company reported net loss for the periods presented above, these potentially dilutive securities were anti-dilutive and are excluded in the computation of diluted net loss per share. The following table discloses shares of the securities that were not included in the diluted EPS calculation above because they are anti-dilutive for the periods presented above.

	Quarters Ended		Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Stock options outstanding	5,083,643	5,852,759	5,083,643	5,852,759
Restricted stock units and performance restricted stock units outstanding	5,933,914	117,611	5,933,914	117,611
Private Placement Warrants outstanding	6,000,000	—	—	—
Public Warrants outstanding	—	11,500,000	—	11,500,000
Employee stock purchase plan estimated shares	380,847	—	380,847	—

#### Note 10. Stock-based Compensation

The Company issues equity awards to employees and non-employees in the form of stock options and restricted stock units (“RSUs”). Additionally, the Company also offers an employee stock purchase plan (“ESPP”) to its eligible employees. In the second quarter of 2022, the Company began to grant performance based RSU (“PRSU”) subject to performance and service vesting conditions. The Company uses Black-Scholes option pricing model to value its stock options granted and the estimated shares to be purchased under the ESPP. For both RSUs and PRSUs, the Company uses its common stock price, which is the last reported sales price on the grant date to value those securities.

In general, the Company recognizes its stock-based compensation expense on a straight-line basis over the requisite service period and records forfeitures as they occur. For PRSUs, the Company uses the graded vesting method to calculate

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*(Unaudited)*

the stock-based compensation expense. At each reporting period, the Company would recognize and adjust the stock-based compensation expense based on its probability assessment in meeting its PRSUs' performance conditions.

The following table summarizes the total stock-based compensation expense, by operating expense category, recognized in the Condensed Consolidated Statements of Operations for the periods presented below (in thousands).

	Quarters Ended		Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Cost of revenue	\$ 1,067	\$ —	\$ 1,317	\$ 274
Research and development	3,372	1,290	9,705	4,197
Selling, general and administrative	4,260	1,752	11,095	2,246
Total stock-based compensation expense	<u>\$ 8,699</u>	<u>\$ 3,042</u>	<u>\$ 22,117</u>	<u>\$ 6,717</u>

For the fiscal year-to-date ended October 2, 2022, the Company capitalized \$1.2 million of stock-based compensation as property and equipment, net in the Condensed Consolidated Balance Sheet. For the fiscal year-to-date ended October 3, 2021, the Company capitalized an immaterial amount of stock-based compensation as deferred contract costs, inventory and property and equipment, net in the Condensed Consolidated Balance Sheet. There was no recognized tax benefit related to stock-based compensation for the periods presented. In addition, the Company accrued \$1.4 million of bonus to be settled in equity awards as accrued compensation on the Condensed Consolidated Balance Sheet as of October 2, 2022.

As of October 2, 2022, there was approximately \$93.6 million of total unrecognized stock-based compensation expense related to unvested equity awards, which are expected to be recognized over a weighted-average period of 3.6 years. As of October 2, 2022, there was approximately \$1.4 million of total unrecognized stock-based compensation related to the ESPP, which is expected to be recognized over a period of 1.1 years.

**Stock Option Activity**

The following table summarized stock option activities for the fiscal year-to-date ended October 2, 2022 (in thousands, except share and per share amount).

	Number of Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value <sup>(1) (2)</sup>
<b>Balances as of January 3, 2021</b>	5,753,005	\$ 8.88		
Granted	46,190	13.82		
Exercised	(343,124)	5.98		\$ 4,077
Forfeited	(372,428)	9.43		
<b>Balances as of October 2, 2022</b>	<u>5,083,643</u>	<u>\$ 9.08</u>	8.5	<u>\$ 47,348</u>

<sup>(1)</sup> The intrinsic value of options exercised is based upon the value of the Company's stock at exercise.

<sup>(2)</sup> The aggregate intrinsic value of the stock options outstanding as of October 2, 2022 represents the value of the Company's closing stock price at \$18.34 on October 2, 2022 in excess of the exercise price multiplied by the number of options outstanding.

Unvested early exercised stock options which are subject to repurchase by the Company are not considered participating securities as those shares do not have non-forfeitable rights to dividends or dividend equivalents. Unvested early exercised stock options are not considered outstanding for purposes of the weighted average outstanding share calculation until they vest.



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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
*(Unaudited)*

As of October 2, 2022, 3,342,128 shares remained subject to the Company's right of repurchase as a result of early exercised stock options. The remaining liability related to early exercised shares as of October 2, 2022 was \$0.2 million and was recorded in other current and non-current liabilities in the Condensed Consolidated Balance Sheets.

**Restricted Stock Unit and Performance Restricted Stock Unit Activities**

The Company generally grants RSUs with service vesting condition and PRSUs with both performance and service vesting conditions. Each RSU or PRSU is not considered issued and outstanding and does not have voting rights until it is converted into one share of the Company's common stock upon vesting. The following table summarized RSUs and PRSUs activities for the fiscal year-to-date ended October 2, 2022 (in thousands, except share and per share amount).

	RSUs		PRSUs	
	Number of Shares Outstanding	Weighted Average Grant Date Fair Value	Number of Shares Outstanding	Weighted Average Grant Date Fair Value
<b>Issued and unvested shares balances as of January 2, 2022</b>	535,449	\$ 23.38	—	\$ —
Granted	4,513,171	13.63	1,500,845	13.41
Vested	(358,747)	15.61	—	—
Forfeited	(256,804)	16.26	—	—
<b>Issued and unvested shares outstanding as of October 2, 2022</b>	<b>4,433,069</b>	<b>\$ 14.50</b>	<b>1,500,845</b>	<b>\$ 13.41</b>

**Note 11. Related Party**

**Founder Shares**

On September 24, 2020, RSVAC issued an aggregate of 5,750,000 shares of common stock (the "Founder Shares") to the Sponsor, Rodgers Capital LLC, for an aggregate purchase price of \$25,000 in cash. The Sponsor agreed, subject to limited exceptions, not to transfer, assign or sell any of the Founder Shares until the earlier to occur of: (A) one year after the completion of Business Combination or (B) subsequent to a Business Combination, (x) if the last reported sale price of the Company's common stock equals or exceeds \$14.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after Business Combination, or (y) the date on which the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of the Company's stockholders having the right to exchange their shares of common stock for cash, securities or other property. On September 8, 2021, the Sponsor made an in-kind distribution of a portion of its Founder Shares to certain members of Rodgers Capital LLC.

**Related Party Loans**

On May 24, 2021, the Company issued to a member of the board of directors a secured promissory note (the "Secured Promissory Note") with an aggregate principal balance of \$15.0 million and an interest at a rate of 7.5% per annum, payable monthly and on the maturity date. On July 14, 2021, the Company repaid all amounts outstanding under the Secured Promissory Note, which totaled \$15.2 million in principal and interest. In the connection with the note repayment, the Company incurred \$0.1 million of loss on early debt extinguishment related to the write-off of unamortized debt issuance costs in the third quarter of 2021. The Company paid \$0.2 million of interest for the fiscal year ended January 2, 2022. As of October 2, 2022 and January 2, 2022, the Company had no outstanding debt.

**Employment Relationship**

The Company employs two family members of the Company's Chief Executive Officer, who perform engineering work in the Fremont facility.

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

*The following discussion and analysis provide information that the management of Enovix Corporation (referred to as “we,” “us,” “our” and “Enovix”) believes is relevant to an assessment and understanding of Enovix’s consolidated results of operations and financial condition as of October 2, 2022 and for the quarter and fiscal year-to-date ended October 2, 2022 and should be read together with the condensed consolidated financial statements that are included elsewhere in this Quarterly Report on Form 10-Q. This discussion and analysis contain forward-looking statements based upon our current expectations, estimates and projections that involve risks and uncertainties. Actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q.*

### Business Overview

We design, develop and have started to commercially manufacture an advanced silicon-anode lithium-ion battery using our proprietary 3D cell architecture that increases energy density and maintains high cycle life. This enables us to use silicon as the only active lithium cycling material in the anode whereas industry incumbents have historically combined only a modest amount of silicon (3%-7%) with graphite. We have applied an equally innovative approach to develop proprietary roll-to-stack production tools for existing lithium-ion battery manufacturing lines and increase megawatt hour capacity. Our silicon anode battery architecture allows lithium-ion batteries to be produced smaller, cheaper and more efficiently at scale than current alternatives.

To date, we have concentrated our operational effort on researching, developing and commercializing the cutting-edge technology behind our silicon-anode lithium-ion battery. Over the past several years, we have signed agreements to provide engineering and proof of concept samples to blue-chip companies in the consumer electronic industry (smartwatches, augmented reality/virtual reality, smartphones, fire/life/safety radios, laptops). In addition to those industries, we are pursuing the deployment of our technology for the electric vehicle (“EV”) market.

We currently lease our headquarters, engineering and manufacturing space in Fremont, California. In 2020, we started procuring equipment for our first high volume production line (“Fab-1”). The first of this equipment began arriving in early 2021. Fab-1 is now operational, and we commenced our planned principal operations of commercial manufacturing and recorded our first product revenue as scheduled in the second quarter of 2022. During the third quarter of 2022, we continued to work closely with three key vendors to further the design of the critical path elements of our second generation (“Gen2”) manufacturing line. Over the last six months, together with these vendors, we have significantly advanced the detailed design of these systems, incorporating the learnings from our existing lines at Fab-1 in Fremont (“Gen1”), to validate the new Gen2 high speed equipment design concepts. We placed a purchase order for our Gen2 packaging line and expect to place orders for our Gen2 laser patterning systems and assembly line in the fourth quarter of 2022. Other non-critical path equipment will be ordered thereafter. Subject to final technical design and Board approval scheduled for early 2023, we continue to target full delivery of our Gen2 equipment in the second half of 2023 followed by our Gen2-compatible pilot line (“Agility Line”) for accelerated product development and qualification.

We anticipate that this generation of toolset will provide a blueprint for supporting future licensing and joint ventures with existing customers and battery companies. We plan to bring additional Gen2 lines up over the course of 2024 in conjunction with the timing of customer programs. We expect that certain customers may require up to several months to qualify the Gen2 line before accepting product that is manufactured on that line.

### Business Combination

On July 14, 2021 (the “Closing Date”), Enovix Corporation, a Delaware Corporation (“Legacy Enovix”), Rodgers Silicon Valley Acquisition Corp. (“RSVAC”) and RSVAC Merger Sub Inc., a Delaware Corporation and wholly owned subsidiary of RSVAC (“Merger Sub”), consummated the closing of the transactions contemplated by the Agreement and Plan of Merger, dated February 22, 2021 (the “Merger” or the “Business Combination”), by and among RSVAC, Merger Sub and Legacy Enovix (the “Merger Agreement”), following the approval at a special meeting of the stockholders of RSVAC held on July 12, 2021 (the “Special Meeting”). Following the consummation of the Merger on the Closing Date, Legacy Enovix changed its name to Enovix Operations Inc., and RSVAC changed its name from Rodgers Silicon Valley Acquisition Corp. to Enovix Corporation (“Enovix”). Enovix raised approximately \$373.7 million of net proceeds, after deducting transaction costs and estimated offering related expenses. Please refer to Note 3 “Business Combination” to the consolidated financial statements for the fiscal year ended January 2, 2022 included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2022, filed with the Securities and Exchange Commission (“SEC”) on March 25, 2022 (the “Annual Report”), for further details of the Business Combination.

### Change in Fiscal Year

In the third quarter of 2021, we changed our fiscal year on a prospective basis effective on July 1, 2021 and did not adjust operating results for prior periods. A fiscal year calendar typically consists of four 13-week quarters. Our 2022 fiscal year is comprised of four fiscal quarters ending on April 3, 2022, July 3, 2022, October 2, 2022 and January 1, 2023, respectively.

### Comparability of Financial Information

Our future results of operations and financial position may not be comparable to historical results as a result of the Merger.

### Key Trends, Opportunities and Uncertainties

We generate revenue from payments received from our customers in connection with (a) the sale of silicon-anode lithium-ion batteries and battery pack products (“Product Revenue”) and (b) executed engineering revenue contracts (“Service Revenue”) for the development of silicon-anode lithium-ion battery technology. We commenced shipment of commercially manufactured batteries in the second quarter of 2022. Our performance and future success depend on several factors that present significant opportunities, but also pose risks and challenges as described in the section titled “Risk Factors” included elsewhere in this Quarterly Report on Form 10-Q.

#### *Q3 2022 Highlights:*

During the third quarter of 2022, we made steady operational progress in Fab-1 that allowed us to improve yield while also continuing to ship cells from our production line for qualification programs and pre-production end-product builds. Production cells were shipped to 25 original equipment manufacturers (each an “OEM”), including three “Strategic Accounts” (which we define as “mega cap” technology companies with market capitalizations that exceed \$200 billion and that have the potential to use Enovix batteries in multiple product applications), as well as a tier one lithium-ion battery OEM and a top 10 global automotive OEM.

In November 2022, we announced a non-binding memorandum of understanding (“MOU”) with a Strategic Account to incorporate our cells into wearable, mobile, and computing applications. This follows a purchase order we received from such Strategic Account earlier in 2022, which led to the testing of our cells and culminated in the MOU, which establishes a framework for the deployment and scale-up of our technology across their product portfolio.

Our revenue funnel was \$1.4 billion at the end of third quarter of 2022, which was comprised of \$1.0 billion of Engaged Opportunities and \$423.0 million of Active Designs and Design Wins (each as defined below). Our revenue funnel is defined as the potential value of a full production year for all of the customer projects for which we have been engaged. The components of the revenue funnel are:

- Engaged Opportunities: Consists of engaged customers that have determined that our battery is applicable to their product and are evaluating our technology.
- Active Designs: Consists of customers that have completed evaluation of our technology, identified the end-product and started design work.
- Design Win: Consists of customers that have funded a custom battery design or are qualifying one of our standard batteries for a formally approved product that will use an Enovix cell. As of the end of the third quarter of 2022, we have nine Design Wins in the following market applications: wearables (3), industrial/medical (2), mobile communications (1), computing (1) and augmented reality/virtual reality (“AR/VR”) (2). Two of our nine Design Wins are with Strategic Accounts and we have opportunities with a total of Six Strategic Accounts at various stages within our revenue funnel.

The speed with which we convert our revenue funnel to purchase orders and revenue will ultimately be governed by how fast we qualify customers, improve our manufacturing processes and bring on additional capacity.

#### *Product Development*

We have developed and delivered standardized sample (i.e., prototype) lithium-ion batteries to multiple, industry leading consumer electronics manufacturers with energy densities higher than industry standard batteries of similar size. “Energy density” is measured as the product of the power a battery puts out in watts times the number of hours the battery can put out that power, divided by the volume (size) of the battery measured in liters. The units of energy density are thus watt-hours per liter or Wh/l. As of October 2, 2022, we estimate that our first technology node, called EX-1, which makes batteries sized for wearables and mobile communications devices, will deliver batteries with 21%-113% greater energy

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density than the batteries in several categories of currently available consumer electronics products. Our targeted spec for EX-1 is 714 Wh/l for wearables and 900 Wh/l for our reference size mobile communications devices. We have achieved 714 Wh/l in Fab-1 for wearables and expect to achieve 900 Wh/l for our reference size mobile communications devices in 2024. In 2023, we expect to build cells for mobile communications devices that achieve the EX-1 node energy density but due to their smaller size will be at 882 Wh/l.

Additionally, we are now far along with a new technology node we call EX1.5, which sits between our first node, EX-1, and our second-generation node, EX-2. We have hit our EX1.5 target of 772 Wh/l for wearables (965 Wh/l when adjusted to our reference size mobile communications) and these cells were put into cycling during the third quarter of 2022. We anticipate sampling this technology in 2023 to customers, giving us confidence that our architecture will allow Enovix to continue to move off the industry's long-term trend of meager improvements.

Our product roadmap also projects that adjusted to our reference size mobile communications device (900 Wh/l in EX-1), the energy density of our batteries will improve to 1,030 Wh/l by 2024 (EX-2 node) and 1,255 Wh/l by 2025 (EX-3 node). Both the EX-2 and EX-3 product families will introduce an added step-function improvement in Li-ion energy density over the industry. This energy density breakthrough alters a 30-year Li-ion battery industry trajectory of modest (4.2%) annual Li-ion battery energy density improvements through 2021. Assuming this industry improvement rate of 4.2% per year continues, and our estimated greater energy density, it would require approximately five years for the industry to reach energy densities equivalent to our batteries at similar size, based on our contemplated roadmap.

To achieve these goals, we plan to drive step-function improvements in 3D cell architecture to increase overall performance efficiency, while also benefiting from the adoption of the higher energy density cathodes that are being continually developed by the industry.

Additionally, we estimate that our batteries can deliver higher storage capacity (measured in milliampere-hour, or mAh) compared to industry standard batteries of similar size. As of October 2, 2022, we estimate that EX-1 node delivers 32%-133% greater end-of-life battery storage capacity (based on end-of-life dimensions) than the batteries in several categories of currently available consumer electronics products.

External validation of the performance of our samples has led to several Service Revenue contracts between us and these customers. Pursuant to each of these agreements, we are developing custom 3D silicon lithium-ion batteries for specific wearable, computing and mobile communication device applications. We have also manufactured batteries incorporating our BrakeFlow™ technology. The design and development phases and the manufacturing of these custom samples are performed at our headquarters in Fremont, California. In January 2022, we began shipping 3D silicon lithium-ion batteries for qualification to customers. We furthered the design of our Gen2 manufacturing equipment with our suppliers during the second and third quarters of 2022. The Gen2 manufacturing line ("Autoline") is designed to be faster and require less space per battery produced than Gen1. Our Gen1 and Gen2 engineering teams have identified and incorporated over 120 process and design improvements into Gen2. Incorporating these improvements is expected to result in upgraded laser patterning systems, higher speed manufacturing of our battery (up to 10x compared to our current capability) and a 6x improvement in changeover time between battery sizes relative to Gen1. During the third quarter of 2022, we placed a purchase order for our Gen2 packaging line and expect to place orders for our Gen2 laser patterning systems and assembly line in the fourth quarter of 2022. Other non-critical path equipment will be ordered thereafter. Subject to final technical design approval and Board approval scheduled for early 2023, we continue to target the full delivery of our Gen2 equipment and installation in second battery cell factory ("Fab-2") in the second half of 2023 followed by Agility Line for accelerated product development and custom-cell qualification.

We anticipate that a complete Gen2 Autoline that can produce both small and large cells will cost between \$50 million and \$70 million of capital expenditures and at 80% overall equipment effectiveness ("OEE") will produce just over nine million cells annually once fully ramped. We have separately started the development of a dedicated line for wearables-size batteries that can make four times as many cells.

### *Commercialization*

We commenced deliveries of commercial cells from Fab-1, but we have experienced challenges associated with bringing up the manufacturing equipment in Fab-1, including technical issues negatively impacting yield and volume production, and extended shipping times, supply chain constraints and intermittent vendor support during equipment bring-up resulting from COVID-19 travel restrictions imposed by certain countries in Asia. Fab-1 features a first-of-its-kind line for battery production. As a result, we regularly face and overcome new challenges to improve yield and output. Simultaneously, these efforts have provided and continue to provide valuable learning experiences, allowing us to improve our processes and equipment for future lines. With production commenced, our focus in Fab-1 is on increasing volumes and yields. In the third quarter of 2022, we worked to optimize our first production line ("Line 1") at Fab-1 for higher yield and throughput, bring up our second production line in Fab-1 ("Line 2"), and complete our learnings for Gen2. Given the wide gap in expected performance between our Gen1 and Gen2 and the slower-than-expected improvements on our Gen1

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manufacturing equipment, we have concluded that the incremental effort necessary to drive higher throughput on Gen1 technology is better spent on the critical yield and productivity learning necessary for a strong launch of our Gen2 Autoline. We expect Fab-1 improvement activities to extend into 2023, but at a slower rate given the decision to redirect resources to Gen2.

The net proceeds from the Merger and proceeds from the exercise of our Public Warrants (as defined under the heading “Common Stock Warrants” in Note 8 “Warrants” of the notes to our condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q) have enabled us to complete and further expand Fab-1, pursue Fab-2, accelerate research and development and undertake additional initiatives.

### *Market Focus and Market Expansion*

According to industry analyst Avicenne Energy’s 2019 estimate, the Li-ion battery cell market will grow from \$45 billion in 2020 to \$75 billion in 2025. Our near-term focus is on the following market applications: wearables (smartwatches, AR/VR, headsets, medical applications, etc.), computing and mobile communications. This high value segment represents an addressable market that is estimated to be \$13 billion by 2025, based on our analysis of industry unit forecasts from industry researchers and our estimates of average selling prices of such units. We are actively sampling to potential customers in these markets and have design wins in each. We have also engaged with new customers in product applications, such as action cameras, portable gaming, smartwatches built for children, handheld payment terminals, portable routers, and gaming PCs.

We believe focusing on these categories ahead of EVs is the right strategy for any advanced battery company because of the economic and time-to-market advantages. Entering the EV battery market requires billions of dollars of capital to build Gigafactories, offers lower prices per kWh than mobile electronics and demands long qualification cycles. We believe the best approach is to start in premium markets where we can leverage our differentiated technology and solidify our manufacturing process while driving toward profitability. At the same time, we are seeding our entry into the EV battery market by sampling batteries to EV OEMs and continuing work on our three-year grant with the U.S. Department of Energy to demonstrate batteries featuring our silicon anode paired with EV-class cathode materials. Our goal is to translate this work into partnerships (e.g., joint ventures or licensing) with EV OEMs or battery OEMs in order to commercialize our technology in this end market.

### *Access to Capital*

Assuming we experience no significant delays in the research and development of our battery nor any deterioration in capital efficiency, we believe that our cash resources, including the net proceeds from the completion of the Merger, are sufficient to fund the continued build-out and production ramp of our Fab-1 manufacturing facility in Fremont, California and lease or purchase and retrofit an existing facility, as well as our Fab-2 for growth.

### *Regulatory Landscape*

We operate in an industry that is subject to many established environmental regulations, which have generally become more stringent over time, particularly in hazardous waste generation and disposal and pollution control. While we expect certain regulations under President Biden’s administration could, if adopted, facilitate market demand and revenue growth, other potential regulations, if adopted, could result in additional operating costs.

## **Components of Results of Operations**

### *Revenue*

In June 2022, we began to generate revenue from our planned principal business activities. We recognize revenue within the scope of Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*. We generate revenue from our Product Revenue and Service Revenue for the development of silicon-anode lithium-ion battery technology.

Service Revenue contracts generally include the design and development efforts to conform our existing battery technology with customers’ required specifications. Consideration for Service Revenue contracts generally becomes payable when we meet specific contractual milestones, which include the design and approval of custom cells, procurement of fabrication tooling to meet the customer’s specifications, and fabrication and delivery of custom cells from our pilot production line. Within the existing Service Revenue contracts, the amount of consideration is fixed, the contracts contain a

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single performance obligation, and revenue is recognized at the point in time the final milestone is met (i.e., a final working prototype meeting all required specifications) and the customer obtains control of the deliverable.

Product Revenue is recognized once we have satisfied the performance obligations and the customer obtains control of the goods at a point in time under the revenue recognition criteria. Product Revenue is recognized in an amount that reflects the consideration for the corresponding performance obligations for the silicon-anode lithium-ion batteries or battery pack products transferred.

### *Cost of Revenue*

Cost of revenue includes materials, labor, allocated depreciation expense, and other direct costs related to Service Revenue contracts and production lines. Labor consists of personnel-related expenses such as salaries and benefits, and stock-based compensation. With our production commenced in the second quarter of 2022, we anticipate that cost of revenues will increase significantly as we optimize our first production line and bring-up our second production line.

Capitalization of certain costs are recognized as an asset if they relate directly to a customer contract, generate or enhance resources of the entity that will be used in satisfying future performance obligations, and are expected to be recovered. If these three criteria are not met, the costs are expensed in the period incurred. Deferred costs are recognized as cost of revenue in the period when the related revenue is recognized.

### *Research and Development Expenses*

Research and development expenses consist of engineering services, allocated facilities costs, depreciation, development expenses, materials, labor and stock-based compensation related primarily to our (i) technology development, (ii) design, construction, and testing of preproduction prototypes and models, and (iii) certain costs related to the design, construction and operation of our pilot plant that are not of a scale economically feasible to us for commercial production. Research and development costs are expensed as incurred.

To date, research and development expenses have consisted primarily of personnel-related expenses for scientists, experienced engineers and technicians as well as costs associated with the expansion and ramp up of our engineering and manufacturing facility in Fremont, California, including the material and supplies to support the product development and process engineering efforts. As we ramp up our engineering operations to complete the development of batteries and required process engineering to meet customer specifications, we anticipate that research and development expenses will continue to increase for the foreseeable future as we expand hiring of scientists, engineers and technicians and continue to invest in additional plant and equipment for product development, building prototypes and testing of batteries. We are establishing a research and development center in India that will initially focus on developing machine learning algorithms.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses consist of personnel-related expenses, marketing expenses, allocated facilities expenses, depreciation expenses, travel expenses, and professional services expenses, including legal, human resources, audit, accounting and tax-related services. Personnel related costs consist of salaries, benefits and stock-based compensation. Facilities costs consist of rent and maintenance of facilities.

We are expanding our personnel headcount to support the ramping up of commercial manufacturing and being a public company. Accordingly, in addition to non-recurring costs associated with the Business Combination and anticipated costs of being a public company, we expect our selling, general and administrative expenses to increase significantly in the near term and for the foreseeable future.

### *Other Income (Expense), net*

Other income and expense, net primarily consists of dividends, interest income, interest expense, fair value adjustments for outstanding convertible preferred stock warrants and fair value adjustments for outstanding common stock warrants.

### *Income Tax Expense (Benefit)*

Our income tax provision consists of an estimate for U.S. federal and state income taxes based on enacted rates, as adjusted for allowable credits, deductions, uncertain tax positions, changes in deferred tax assets and liabilities and changes in the tax law. We maintain a valuation allowance against the full value of our U.S. and state net deferred tax assets because we believe the recoverability of the tax assets is not more likely than not.

**Results of Operations**

*Comparison of Quarter Ended October 2, 2022 to Prior Year's Quarter Ended October 3, 2021*

The following table sets forth our condensed consolidated operating results for the periods presented below (in thousands):

	<b>Quarters Ended</b>		<b>Change (\$)</b>	<b>% Change</b>
	<b>October 2, 2022</b>	<b>October 3, 2021</b>		
Revenue	\$ 8	\$ —	\$ 8	N/M
Cost of revenue	6,629	104	6,525	N/M
Gross margin	(6,621)	(104)	(6,517)	N/M
Operating expenses:				
Research and development	13,948	10,301	3,647	35 %
Selling, general and administrative	13,110	8,791	4,319	49 %
Total operating expenses	27,058	19,092	7,966	42 %
Loss from operations	(33,679)	(19,196)	(14,483)	75 %
Other income (expense):				
Change in fair value of convertible preferred stock warrants and common stock warrants	(50,160)	8,460	(58,620)	N/M
Interest expense, net	—	(52)	52	N/M
Other income (expense), net	1,826	(50)	1,876	N/M
Total other income (expense), net	(48,334)	8,358	(56,692)	N/M
Net loss	\$ (82,013)	\$ (10,838)	\$ (71,175)	657 %

N/M – Not meaningful

Revenue

Revenue for the quarter ended October 2, 2022 was immaterial. As of October 2, 2022 and January 2, 2022, we had \$4.3 million and \$7.9 million, respectively, of deferred revenue on our Condensed Consolidated Balance Sheets.

Cost of Revenue

Cost of revenue for the quarter ended October 2, 2022 was \$6.6 million, compared to \$0.1 million during the quarter ended October 3, 2021. The increase in cost of revenue of \$6.5 million was attributable to \$3.7 million of labor costs, \$2.4 million of allocated depreciation expense and other miscellaneous direct costs since we commenced our production in the second quarter of 2022. As of October 2, 2022 and January 2, 2022, we had \$1.5 million and \$4.6 million, respectively, of deferred contract costs on our Condensed Consolidated Balance Sheets.

In the execution of satisfying the single performance obligation per the existing revenue contracts, certain costs are recognized as an asset if they relate directly to a customer contract, generate or enhance resources of the entity that will be used in satisfying future performance obligations and are expected to be recovered. If these three criteria are not met, the costs are expensed in the period incurred. Deferred contract costs are recognized as cost of revenue in the period when the related revenue is recognized.

In the beginning of June of 2022, we completed construction of our first production line and placed this equipment in service. As a result, we began depreciating this production equipment over its estimated useful life. We also began capitalizing inventory and recognizing factory overhead expenses in cost of revenue, which are largely fixed overhead costs (idle costs) that were previously recognized in research and development expenses. We expect equipment depreciation and idle costs to continue to increase from the second quarter of 2022 going forward. A full quarter of depreciation and idle costs was included in the third quarter of 2022 and no such costs were included in the corresponding period of 2021. In addition, we anticipate our factory overhead expenses will continue to increase in the next 12 months as

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we continue to hire additional personnel to support the build-out of additional production lines and maintain our new manufacturing facilities.

Research and Development Expenses

Research and development expenses for the quarter ended October 2, 2022 were \$13.9 million, compared to \$10.3 million during the quarter ended October 3, 2021. The increase of \$3.6 million, or 35%, was primarily attributable to an increase in our research and development employee headcount resulting in a \$1.5 million increase in salaries and employee benefits, a \$2.1 million increase in stock-based compensation expenses, a \$0.8 million increase in subcontractors costs and a \$0.7 million increase in tooling and materials, which were partially offset by decreases in other miscellaneous research and development expenses as some of the overhead costs were classified as cost of revenue in third quarter of 2022 instead of research and development expense in the corresponding period in 2021.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the quarter ended October 2, 2022 were \$13.1 million, compared to \$8.8 million during the quarter ended October 3, 2021. The increase of \$4.3 million, or 49%, was primarily attributable to an increase in our selling, general and administrative employee headcount resulting in a \$0.6 million increase in salaries and employee benefits and a \$2.5 million increase in stock-based compensation expenses. The remaining increase of \$1.2 million was primarily comprised of a \$1.7 million increase in legal and professional fees, a \$0.8 million increase in subcontractors costs and a \$0.4 million increase in insurance expense, which were partially offset by decreases in marketing, recruiting and other miscellaneous expenses.

We anticipate that our overhead expenses will continue to increase in the next 12 months as we continue to hire additional personnel to support and maintain our new manufacturing facilities, as well as for our operation expansion.

Change in Fair Value of Convertible Preferred Stock Warrants and Common Stock Warrants

The change in fair value of common stock warrants of \$(50.2) million for the quarter ended October 2, 2022 was attributable to an increase, during the quarter, in the fair value of the 6,000,000 common stock warrants that are held by Rodgers Capital, LLC (the "Sponsor") and certain of its members (the "Private Placement Warrants"). The change in fair value of common stock warrants of \$8.5 million for the quarter ended October 3, 2021 was attributable to a decrease, during the quarter, in the fair value of the Private Placement Warrants. As of October 2, 2022, there were 6,000,000 common stock warrants outstanding and no Legacy Enovix convertible preferred stock warrants outstanding.



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*Comparison of Fiscal Year-to-date Ended October 2, 2022 to Prior Fiscal Year-to-date Ended October 3, 2021*

The following table sets forth our condensed consolidated operating results for the periods presented below (in thousands):

	Fiscal Years-to-Date Ended		Change (\$)	% Change
	October 2, 2022	October 3, 2021		
Revenue	\$ 5,109	\$ —	\$ 5,109	N/M
Cost of revenue	12,883	1,847	11,036	N/M
Gross margin	(7,774)	(1,847)	(5,927)	N/M
Operating expenses:				
Research and development	42,506	25,413	17,093	67 %
Selling, general and administrative	36,545	17,500	19,045	109 %
Total operating expenses	79,051	42,913	36,138	84 %
Loss from operations	(86,825)	(44,760)	(42,065)	94 %
Other income (expense):				
Change in fair value of convertible preferred stock warrants and common stock warrants	44,040	3,679	40,361	N/M
Interest expense, net	—	(187)	187	N/M
Other income (expense), net	2,344	(38)	2,382	N/M
Total other income (expense), net	46,384	3,454	42,930	N/M
Net loss	\$ (40,441)	\$ (41,306)	\$ 865	(2) %

N/M – Not meaningful

Revenue

Revenue for the fiscal year-to-date ended October 2, 2022 was \$5.1 million, comprised of \$5.1 million of Service Revenue and an immaterial amount of Product Revenue. Service Revenue was primarily attributed to the satisfaction of our final performance obligations for and our deliveries of (a) pilot cells and (b) battery packs to two customers under our Service Revenue customer contracts. Customer A represented \$5.0 million of our total revenue for the fiscal year-to-date ended October 2, 2022.

A portion was previously recorded as deferred revenue on our Condensed Consolidated Balance Sheet. As of October 2, 2022 and January 2, 2022, we had \$4.3 million and \$7.9 million, respectively, of deferred revenue on our Condensed Consolidated Balance Sheets.

Cost of Revenue

Cost of revenue for the fiscal year-to-date ended October 2, 2022 was \$12.9 million, compared to \$1.8 million during the prior fiscal year-to-date ended October 3, 2021. The increase in cost of revenue of \$11.0 million was attributable to \$4.7 million of labor costs, \$3.3 million of allocated depreciation expense and other miscellaneous direct costs since we began our production in the second quarter of 2022. As of October 2, 2022 and January 2, 2022, we had \$1.5 million and \$4.6 million, respectively, of deferred contract costs on our Condensed Consolidated Balance Sheets.

In the execution of satisfying the single performance obligation per the existing revenue contracts, certain costs are recognized as an asset if they relate directly to a customer contract, generate or enhance resources of the entity that will be used in satisfying future performance obligations, and are expected to be recovered. If these three criteria are not met, the costs are expensed in the period incurred. Deferred contract costs are recognized as cost of revenue in the period when the related revenue is recognized.

In the beginning of June of 2022, we completed construction of our first production line and placed this equipment in service. As a result, we began depreciating this production equipment over its estimated useful life. We also began capitalizing inventory and recognizing factory overhead expenses in cost of revenue, which are largely fixed overhead costs (idle costs) that were previously recognized in research and development expenses. We expect equipment depreciation and idle costs to continue to increase from the second quarter of 2022 going forward. Approximately four

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months of depreciation and idle costs was included in the fiscal year-to-date ended October 2, 2022 and no such costs were included in the corresponding period of 2021. In addition, we anticipate our factory overhead expenses will continue to increase in the next 12 months as we continue to hire additional personnel to support the build-out of additional production lines and maintain our new manufacturing facilities.

### Research and Development Expenses

Research and development expenses for the fiscal year-to-date ended October 2, 2022 were \$42.5 million, compared to \$25.4 million during the prior fiscal year-to-date ended October 3, 2021. The increase of \$17.1 million, or 67%, was primarily attributable to an increase in our research and development employee headcount resulting in a \$5.5 million increase in salaries and employee benefits, a \$5.5 million increase in stock-based compensation expenses, a \$3.5 million increase in subcontractor costs and a \$1.7 million increase in tooling and materials. The remaining increase was primarily due to travel expenses and other miscellaneous research and development expenses, which were partially offset by a decrease in overhead costs that were classified as cost of revenue starting in June 2022 instead of research and development expense for the prior fiscal year-to-date of 2021.

### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal year-to-date period ended October 2, 2022 were \$36.5 million, compared to \$17.5 million during the prior fiscal year-to-date ended October 3, 2021. The increase of \$19.0 million, or 109%, was primarily attributable to an increase in our selling, general and administrative employee headcount resulting in a \$2.6 million increase in salaries and employee benefits and a \$8.8 million increase in stock-based compensation expenses. The remaining increase of \$7.6 million was primarily comprised of a \$5.1 million increase in legal and professional fees, a \$2.5 million increase in subcontractors costs and a \$1.6 million increase in insurance expense, which were partially offset by decreases in marketing, recruiting and other miscellaneous expenses.

We anticipate that our overhead expenses will continue to increase in the next 12 months as we continue to hire additional personnel to support and maintain our new manufacturing facilities, as well as for our operation expansion.

### Change in Fair Value of Convertible Preferred Stock Warrants and Common Stock Warrants

The net change in fair value of convertible preferred stock warrants and common stock warrants was comprised of a change in fair value of common stock warrants of \$44.0 million for the fiscal year-to-date period ended October 2, 2022 and a net change in fair value of common stock warrants and convertible preferred stock warrants of \$3.7 million for the prior fiscal year-to-date ended October 3, 2021.

For the fiscal year-to-date period ended October 2, 2022, the change in fair value of common stock warrants of \$44.0 million was attributable to a decrease in the fair value of the 6,000,000 Private Placement Warrants.

On February 22, 2021, all 10,160,936 Legacy Enovix's Series D convertible preferred stock warrants were exercised at \$0.01 per share for a total of \$0.1 million. The increase in the fair value of the convertible preferred stock warrants, up to February 22, 2021, was due to the increase in Legacy Enovix's enterprise value throughout 2020 and the first quarter of 2021. The change in the fair value of the convertible preferred stock warrants of \$4.8 million was recorded as other expense for the prior fiscal year-to-date ended October 3, 2021. This change was partially offset by a decrease in fair value of \$8.5 million of common stock warrants for the prior fiscal year-to-date ended October 3, 2021.

### **Non-GAAP Financial Measures**

While we prepare our condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"), we also utilize and present certain financial measures that are not based on GAAP. We refer to these financial measures as "Non-GAAP" financial measures. In addition to our financial results determined in accordance with GAAP, we believe that EBITDA, and Adjusted EBITDA, and Free Cash Flow (each as defined below), are useful measures in evaluating our financial and operational performance distinct and apart from financing costs, certain non-cash expenses and non-operational expenses.

These Non-GAAP financial measures should be considered in addition to results prepared in accordance with GAAP but should not be considered a substitute for or superior to GAAP. We endeavor to compensate for the limitation of the Non-GAAP financial measures presented by also providing the most directly comparable GAAP measures.

We use Non-GAAP financial information to evaluate our ongoing operations and for internal planning, budgeting and forecasting purposes. We believe that Non-GAAP financial information, when taken collectively, may be helpful to investors in assessing our operating performance and comparing our performance with competitors and other comparable companies. You should review the reconciliations below but not rely on any single financial measure to evaluate our business.

[Table of Contents](#)*EBITDA and Adjusted EBITDA*

“EBITDA” is defined as earnings (net loss) adjusted for interest expense; income taxes; depreciation expense, and amortization expense. “Adjusted EBITDA” includes additional adjustments to EBITDA such as stock-based compensation expense; change in fair value of convertible preferred stock warrants, common stock warrants and convertible promissory notes; loss on early debt extinguishment and other special items as determined by management which it does not believe to be indicative of its underlying business trends. EBITDA and Adjusted EBITDA are intended as supplemental financial measures of our performance that are neither required by, nor presented in accordance with GAAP. We believe that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends, and in comparing our financial measures with those of comparable companies, which may present similar Non-GAAP financial measures to investors.

However, you should be aware that when evaluating EBITDA, and Adjusted EBITDA, we may incur future expenses similar to those excluded when calculating these measures. In addition, the presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. Our computation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate EBITDA and Adjusted EBITDA in the same fashion.

Below is a reconciliation of net loss on a GAAP basis to the Non-GAAP EBITDA and Adjusted EBITDA financial measures for the periods presented below (in thousands):

	Quarters Ended		Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021	October 2, 2022	October 3, 2021
Net loss	\$ (82,013)	\$ (10,838)	\$ (40,441)	\$ (41,306)
Interest expense, net	—	52	—	187
Depreciation and amortization	2,995	687	4,795	1,062
EBITDA	(79,018)	(10,099)	(35,646)	(40,057)
Stock-based compensation expense	8,699	3,042	22,117	6,717
Change in fair value of convertible preferred stock warrants and common stock warrants	50,160	(8,460)	(44,040)	(3,679)
Loss on early debt extinguishment	—	60	—	60
Adjusted EBITDA	\$ (20,159)	\$ (15,457)	\$ (57,569)	\$ (36,959)

*Free Cash Flow*

We define “Free Cash Flow” as (i) net cash from operating activities less (ii) capital expenditures, net of proceeds from disposals of property and equipment, all of which are derived from our Condensed Consolidated Statements of Cash Flow. The presentation of non-GAAP Free Cash Flow is not intended as an alternative measure of cash flows from operations, as determined in accordance with GAAP. We believe that this financial measure is useful to investors because it provides investors to view our performance using the same tool that we use to gauge our progress in achieving our goals and it is an indication of cash flow that may be available to fund investments in future growth initiatives. Below is a reconciliation of net cash used in operating activities to the Free Cash Flow financial measures for the periods presented below (in thousands):

	Fiscal Years-to-Date Ended	
	October 2, 2022	October 3, 2021
Net cash used in operating activities	\$ (60,903)	\$ (34,514)
Capital expenditures	(31,366)	(31,509)
Free Cash Flow	\$ (92,269)	\$ (66,023)

**Liquidity and Capital Resources**

We have incurred operating losses and negative cash flows from operations since inception through October 2, 2022 and expect to incur operating losses for the foreseeable future. As of October 2, 2022, we had cash and cash equivalents of \$349.0 million, a working capital of \$338.0 million and an accumulated deficit of \$373.6 million. Prior to the Business

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Combination, we had financed our operations primarily from the sales of convertible preferred stock, borrowing from convertible promissory notes, and borrowing from the Secured Promissory Note (as defined under the heading “Related Party Loans” in Note 11 “Related Party” of our notes to our condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q). In connection with the Business Combination in July 2021, we raised approximately \$373.7 million of net proceeds, after deducting transaction costs and estimated offering related expenses. Please refer to Note 3 “Business Combination” of the notes to the consolidated financial statements for the fiscal year ended January 2, 2022 included in the Annual Report for more information. In December 2021, we received \$77.2 million of gross proceeds from the exercises of the Public Warrants (as defined under the heading “Common Stock Warrants” in Note 8 “Warrants” of the notes to our condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q), which were being traded in the Nasdaq Global Select Market (“Nasdaq”). In January 2022, we received \$52.8 million of net proceeds from the exercise of the Public Warrants. We plan to use the proceeds from the exercises of the Public Warrants for general corporate purposes.

#### Material Cash Requirements

As of October 2, 2022, we had cash and cash equivalents of \$349.0 million. We currently use cash to fund operations, meet working capital requirements and fund our capital expenditures. In fiscal year 2022 and over the next several years, we expect that our research and development expenses and selling, general and administrative expenses will continue to increase.

For the fiscal year-to-date ended October 2, 2022, we purchased \$31.4 million of property and equipment. We will continue to increase our property and equipment purchases in the near future to support the build-out of our manufacturing facilities and our battery manufacturing production. See more discussion on contractual obligations and commitments section.

Based on the anticipated spending, cash received from the Business Combination and net proceeds from the exercises of the Public Warrants, and timing of expenditures, we currently expect that our cash will be sufficient to meet our funding requirements over the next twelve months from the date this Quarterly Report on Form 10-Q is filed. We believe we will meet longer-term expected future cash requirements and obligations through a combination of available cash, cash equivalents and future debt financings, and access to other public or private equity offerings as well as potential strategic arrangements. We have made our estimates on historical experience and various other relevant factors and we believe that they are reasonable. Actual results may be differ from our estimates, and we could utilize our available capital resources sooner than we expect.

#### Summary of Cash Flows

The following table provides a summary of cash flow data for the periods presented below (in thousands):

	Fiscal Years-to-Date Ended		
	October 2, 2022	October 3, 2021	Change (\$)
Net cash used in operating activities	\$ (60,903)	\$ (34,514)	\$ (26,389)
Net cash used in investing activities	(31,366)	(31,509)	143
Net cash provided by financing activities	55,983	375,676	(319,693)
Change in cash, cash equivalents, and restricted cash	<u>\$ (36,286)</u>	<u>\$ 309,653</u>	<u>\$ (345,939)</u>

#### Fiscal Year-to-Date Ended October 2, 2022 Compared to Prior Fiscal Year-to-Date Ended October 3, 2021

##### Operating Activities

Our cash flows used in operating activities to date have been primarily comprised of operating expenses. We continue to increase hiring for employees in supporting the ramping up of commercial manufacturing and being a public company. We expect our cash used in operating activities to increase significantly before we start to generate any material cash inflows from commercially manufacturing and selling our batteries.

Net cash used in operating activities was \$60.9 million for the fiscal year-to-date ended October 2, 2022. Net cash used in operating activities consists of net loss of \$40.4 million, adjusted for non-cash items and the effect of changes in working capital. Non-cash adjustments primarily include the change in fair value of the Private Placement Warrants of \$44.0 million, stock-based compensation expense of \$22.1 million and depreciation and amortization expense of \$4.8 million.

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Net cash used in operating activities was \$34.5 million for the fiscal year-to-date ended October 3, 2021. Net cash used in operating activities consists of net loss of \$41.3 million, adjusted for non-cash items and the effect of changes in working capital. Non-cash adjustments primarily include the change in fair value of convertible preferred stock warrants of \$3.7 million and stock-based compensation expense of \$6.7 million.

### *Investing Activities*

Our cash flows used in investing activities to date have been primarily comprised of purchases of property and equipment. We expect the costs to acquire property and equipment to increase substantially in the near future as we complete the build-out of our manufacturing facility for our battery manufacturing production. Net cash used in investing activities, which were primarily related to equipment purchases, were \$31.4 million and \$31.5 million for the fiscal years-to-date ended October 2, 2022 and October 3, 2021, respectively.

### *Financing Activities*

Net cash provided by financing activities was \$56.0 million for the fiscal year-to-date ended October 2, 2022, which primarily consisted of \$52.8 million of net proceeds from the exercises of Public Warrants, \$2.1 million of proceeds from the exercise of stock options and \$1.1 million of net proceeds from issuance of shares of our common stock, par value \$0.0001 per share (“Common Stock”) under our employee stock purchase plan.

Net cash provided by financing activities was \$375.7 million for the fiscal year-to-date ended October 3, 2021, which was primarily consisted of \$405.2 million of proceeds from the Business Combination and the PIPE financing, \$15.0 million proceed from the borrowing of the Secured Promissory Note, which was partially offset by \$29.6 million of payments of transaction costs related to Business Combination and PIPE financing and \$15.0 million of principal payment of Secured Promissory Note.

### **Contractual Obligations and Commitments**

We lease our headquarters, engineering, and manufacturing space in Fremont, California under a single non-cancelable operating lease with an expiration date of August 31, 2030. We also lease a small office in Fremont, California under a non-cancelable operating lease that expires in April 2026 with an option to extend the lease for five years. For the lease payment schedule, please see Note 6 “Leases” of the notes to our condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q for further information.

We expect to enter into other commitments to support our product development, the build-out of our manufacturing facilities, and our business development, which are generally cancelable upon notice. Additionally, from time to time, we enter into agreements in the normal course of business with various vendors, which are generally cancellable upon notice. Payments due upon cancellation consist only of payments for services provided or expenses incurred, including non-cancelable obligations of service providers, up to the date of cancellation. As of October 2, 2022, our commitments included approximately \$21.2 million of our open purchase orders and contractual obligations that occurred in the ordinary course of business. During the third quarter of 2022, we placed purchase orders of Gen2 manufacturing equipment and we expect to place additional purchase orders in the fourth quarter of 2022 to support our operation development. For contractual obligations, please see Note 7 “Commitments and Contingencies” of the notes to our condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q for further information.

### **Emerging Growth Company Status**

We currently qualify as an “emerging growth company” (“EGC”), as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, an EGC can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies.

As an EGC, we intend to continue to rely on the other exemptions and reduce reporting requirements provided by the JOBS Act, such as not being required to, among other things: (i) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; (ii) provide all of the compensation disclosure that may be required of non-emerging growth public companies under the Dodd-Frank Wall Street Reform and Consumer Protection Act; (iii) comply with any requirement that may be adopted by the Public Company Accounting Oversight Board (“PCAOB”) regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements (auditor discussion and analysis); and (iv) disclose certain executive compensation-related items such as the correlation between executive compensation and performance and comparisons of the Chief Executive Officer’s compensation to median employee compensation.

Other than the adoption of Accounting Standards Codification 842, *Leases*, we elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private

companies until the earlier of the date that we (i) are no longer an EGC or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, our condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The JOBS Act does not preclude an EGC from adopting a new or revised accounting standard earlier than the time that such standard applies to private companies. We expect to use the extended transition period for any other new or revised accounting standards during the period in which we remain an EGC.

On the last business day of the second fiscal quarter of 2022, the aggregate worldwide market value of our Common Stock shares held by our non-affiliate stockholders exceeded \$700 million. As a result, as of this fiscal year end, January 1, 2023, we will be deemed a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, and we will cease to be an EGC.

### **Critical Accounting Policies and Estimates**

The preparation of our condensed consolidated financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities in our consolidated financial statements and accompanying notes. We base these estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates. These estimates and assumptions include but are not limited to: depreciable lives for property and equipment, the valuation allowance on deferred tax assets, assumptions used in stock-based compensation and estimates to fair value of common stock warrants. Certain accounting policies have a more significant impact on our consolidated financial statements due to the size of the financial statement elements and prevalence of their application.

There have been no material changes to our critical accounting policies and estimates disclosed in Part II, Item 7 of the Annual Report on Form 10-K, except for the updates to the estimated useful lives for property and equipment and revenue recognition, and the additions of inventory accounting policy and product warranties, each as noted in Note 2 “Summary of Significant Accounting Policies” of the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **Recent Accounting Pronouncements**

See section “Recently Adopted Accounting Pronouncements” of Note 2 “Summary of Significant Accounting Policies” of the notes to our condensed consolidated financial statements in Part I of this Quarterly Report on Form 10-Q for further information.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to a variety of market and other risks, including the effects of changes in interest rates, and inflation, as well as risks to the availability of funding sources, hazard events, and specific asset risks.

#### *Interest Rate Risk*

The market risk inherent in our financial instruments and financial position represents the potential loss arising from adverse changes in interest rates. As of October 2, 2022, we had cash and cash equivalents of \$349.0 million, consisting of interest-bearing money market accounts. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. An immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our cash equivalents. As of October 2, 2022, we had no outstanding interest bearing debt.

Uncertain financial markets could result in a tightening in the credit markets, a reduced level of liquidity in many financial markets, and extreme volatility in fixed income and credit markets.

#### *Foreign Currency Risk*

There was no material foreign currency risk for the quarter ended October 2, 2022. Our activities to date have been limited and were conducted primarily in the U.S.

The majority of our expenses, and capital purchasing activities are transacted in U.S. dollars. Our operations outside of the U.S. are subject to risks typical of operations outside of the U.S. including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Given the impact of foreign currency exchange rates has not been material to our historical operating results, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign

currency should become more significant. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

#### *Inflation Risk*

In recent months, inflation has continued to increase significantly in the U.S. and overseas resulting in rising transportation, wages, and other costs. Inflation may generally affect us by increasing our costs and expenses. Although there was no material inflation risk for the quarter ended October 2, 2022 as our activities to date have been primarily related to research and development activities, as well as our Fab-1 construction, if our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs with increased revenues. Our inability or failure to do so could harm our business, financial condition, and results of operations.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed 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 that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of October 2, 2022, our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on the evaluation, our Chief Executive Officer and our Chief Financial Officer concluded, as of October 2, 2022, that our disclosure controls and procedures were effective at a reasonable assurance level.

#### **Changes in Internal Control over Financial Reporting**

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 16d-15(d) under the Exchange Act) that occurred during the quarter ended October 2, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Inherent Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Refer to the heading "Litigation" in Note 7 "Commitments and Contingencies" of the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding our legal proceedings.

#### **Item 1A. Risk Factors.**

*Investing in our securities involves a high degree of risk. Before you make a decision to buy our securities, you should carefully consider the risks and uncertainties described below together with all of the other information contained in this Quarterly Report on Form 10-Q, including our financial statements and related notes and in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations." If any of the events or developments described below were to occur, our business, prospects, operating results and financial condition could suffer materially, the trading price of our securities could decline and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. The risks facing our*

*business have not changed substantively from those discussed in our Annual Report, except for those risks marked with an asterisk (\*).*

#### **SUMMARY OF RISK FACTORS**

Below is a summary of material factors that make an investment in our securities speculative or risky. Importantly, this summary does not address all of the risks and uncertainties that we face.

- We will need to improve our energy density, which requires us to implement higher energy density materials for both cathodes and anodes, which we may not be able to do.
- We rely on a new and complex manufacturing process for our operations: achieving volume production involves a significant degree of risk and uncertainty in terms of operational performance and costs.
- We currently do not have manufacturing facilities to produce our lithium-ion battery cell in sufficient quantities to meet expected demand, and if we cannot successfully locate and bring additional facilities online, our business will be negatively impacted and could fail.
- We may not be able to source or establish supply relationships for necessary components or may be required to pay costs for components that are more expensive than anticipated, which could delay the introduction of our product and negatively impact our business.
- We may be unable to adequately control the costs associated with our operations and the components necessary to build our lithium-ion battery cells.
- If our batteries fail to perform as expected, our ability to develop, market and sell our batteries could be harmed.
- If we are unable to qualify new customers, our ability to grow revenue or improve our financial results could be harmed.
- If we are unable to develop our business and effectively commercialize our products as anticipated, we may not be able to generate revenues or achieve profitability.
- Operational problems with our manufacturing equipment subject us to safety risks which, if not adequately addressed, could have a material adverse effect on our business, results of operations, cash flows, financial condition or prospects.
- We may not be able to source or establish supply relationships for necessary components or may be required to pay costs for components that are more expensive than anticipated, which could delay the introduction of our product and negatively impact our business.
- The battery market continues to evolve and is highly competitive, and we may not be successful in competing in this industry or establishing and maintaining confidence in our long-term business prospects among current and future partners and customers.
- If we are unable to attract and retain key employees and qualified personnel, our ability to compete could be harmed.
- We are an early-stage company with a history of financial losses and expect to incur significant expenses and continuing losses for the foreseeable future.
- We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.
- We have been, and may in the future be, adversely affected by the global COVID-19 pandemic.
- We may not have adequate funds to acquire our next manufacturing facilities and build them out, and may need to raise additional capital, which we may not be able to do.
- We rely heavily on our intellectual property portfolio. If we are unable to protect our intellectual property rights, our business and competitive position would be harmed.
- We could face state-sponsored competition from overseas and may not be able to compete in the market on the basis of price.
- In the past, we have identified material weaknesses in our internal control over financial reporting. If we are unable to maintain an effective system of internal controls in the future, we may not be able to accurately or



timely report our financial condition or results of operations, which may adversely affect our business and stock price.

## **RISK FACTORS**

### **Risks Related to Our Manufacturing and Scale-Up**

*We will need to improve our energy density, which requires us to implement higher energy density materials for both cathodes and anodes, which we may not be able to do.*

Our roadmap to improve our energy density requires us to implement higher energy density materials for both cathodes and anodes. To successfully use these materials, we will have to optimize our cell designs including, but not limited to formulations, thicknesses, geometries, materials, chemistries and manufacturing tolerances and techniques. It could take us longer to incorporate these new materials, or we might not be able to achieve every cell performance specification required by customers. Further, we will need to make improvements in packaging technology to achieve our energy density roadmap. These improvements could take longer or be more difficult than forecasted. This could reduce the performance or delay the availability of products to customers. In addition, we have not yet achieved every specification for all of the products we plan to produce in our first year of commercial production. The failure to achieve all of these specifications or adequately address each of these other challenges could impact the performance of our cells or delay the availability of these products to our customers.

*We rely on a new and complex manufacturing process for our operations: achieving volume production involves a significant degree of risk and uncertainty in terms of operational performance and costs.\**

Although we have developed our Li-ion battery technology, we rely heavily on a new and complex manufacturing process for the production of our lithium-ion battery cells, all of which has not yet been qualified to operate at large-scale manufacturing volumes. To meet our projected future demand, we believe we need to increase our manufacturing throughput and yield metrics. Meeting our goals will be a multi-quarter endeavor and we have experienced delays in meeting these goals to date. For example, during the third quarter of 2022, metrology limitations of our Gen1 manufacturing equipment inhibited our ability to isolate the source of equipment variabilities, thus delaying ramping our manufacturing output. We may experience further delays improving manufacturing yield, throughput and equipment availability.

In addition, the final technical and board design approval for our Gen2 may not occur as planned in early 2023 and it may take longer than expected to install, qualify and release the Gen2 line at Fab-2 and make further modifications to the Gen1 equipment to achieve our goals for throughput and yield. The work required to develop this process and integrate equipment into the production of our lithium-ion battery cells, including achieving our goals for throughput and yield, is time intensive and requires us to work closely with developers and equipment providers to ensure that it works properly for our unique battery technology. This integration work will involve a significant degree of uncertainty and risk, and we may not be able to achieve our goals for throughput and yield. Further, the integration work may result in the delay in the scaling up of production or result in additional cost to our battery cells. Even after our Gen2 manufacturing line is installed, we expect that certain customers may require up to several months to complete technology qualification of the Gen2 line before accepting product that is manufactured on that line.

Both our Fremont pilot manufacturing line and our large-scale Gen1 and Gen2 manufacturing lines require large-scale machinery. Such machinery has in the past suffered, and is likely to in the future suffer, unexpected malfunctions from time to time and will require repairs and spare parts to resume operations, which may not be available when needed.

In addition, unexpected malfunctions of our production equipment have in the past significantly affected, and may in the future significantly affect, the intended operational efficiency. The people needed to remedy these malfunctions may not be readily available. Because this equipment has not previously been used to build lithium-ion battery cells, the operational performance and costs associated with this equipment can be difficult to predict and may be influenced by factors outside of our control, such as, but not limited to, failures by suppliers to deliver necessary components of our products in a timely manner and at prices and volumes acceptable to us, environmental hazards and remediation, difficulty or delays in obtaining governmental permits, damages or defects in systems, industrial accidents, fires, seismic activity and other natural disasters. Further, we have in the past experienced power outages at our facilities, and if these outages are more frequent or longer in duration than expected it could impact our ability to manufacture batteries in a timely manner.

Even if we are able to successfully complete development of and modify, as necessary, this new and complex manufacturing process, we may not be able to produce our lithium-ion batteries in commercial volumes in a cost-effective manner.

***We currently do not have manufacturing facilities to produce our lithium-ion battery cell in sufficient quantities to meet expected demand, and if we cannot successfully locate and bring an additional facility online, our business will be negatively impacted and could fail.***

Currently, we are continuing to build-out our manufacturing facility in Fremont, California. Even if we are able to overcome the challenges in designing and refining our manufacturing process, this manufacturing facility will only have two manufacturing lines which will be sufficient to produce batteries in commercial scale, but not in high enough volumes to meet our expected customer demand. We are in the process of locating additional facilities which, if we are able to overcome the challenges in designing and refining our manufacturing process, will have multiple lines to produce commercial volumes of our lithium-ion batteries to meet our expected customer demands. However, we have not yet located a suitable facility and, even if we are able to do so, there is no guarantee that our manufacturing process will scale to produce lithium-ion batteries in quantities sufficient to meet demand. Further, even if we are able to locate such a facility, there is no guarantee that we will be able to lease or acquire such a facility on commercially reasonable terms or at all.

Even if we overcome the manufacturing challenges and achieve volume production of our lithium-ion battery, if the cost, performance characteristics or other specifications of the battery fall short of our or our customers' targets, our sales, product pricing and margins would likely be adversely affected.

***We may not be able to source or establish supply relationships for necessary components or may be required to pay costs for components that are more expensive than anticipated, which could delay the introduction of our product and negatively impact our business.\****

We rely on third-party suppliers for components necessary to develop and manufacture our lithium-ion batteries, including key supplies, such as our anode, cathode and separator materials. We are collaborating with key suppliers but have not yet entered into agreements for the supply of volume production quantities of these materials. To the extent that we are unable to enter into commercial agreements with these suppliers on beneficial terms, or these suppliers experience difficulties ramping up their supply of materials to meet our requirements, or these suppliers experience any delays in providing or developing the necessary materials, we could experience delays in delivering on our timelines. Any inability or unwillingness of our suppliers to deliver necessary product components at timing, prices, quality and volumes that are acceptable to us could have a material impact on our business, prospects, financial condition, results of operations and cash flows.

Our business depends on the continued supply of certain materials for our products and we expect to incur significant costs related to procuring materials required to manufacture and assemble our batteries. The cost of our batteries depends in part upon the prices and availability of raw materials such as lithium, silicon, nickel, cobalt, copper and/or other metals. The prices for these materials fluctuate and their available supply has been, and may continue to be, unstable depending on market conditions and global demand for these materials, including as a result of increased global production of electric vehicles and energy storage products, recent inflationary pressures, supply chain disruption caused by the COVID-19 pandemic and war or other armed conflicts, including Russia's invasion of Ukraine. We also have experienced a need for expedited freight services associated with supply chain challenges, resulting in higher logistics costs. Moreover, we may not be able to negotiate purchase agreements and delivery lead-times for such materials on advantageous terms. Reduced availability of these materials or substantial increases in the prices for such materials has increased, and may continue to increase, the cost of our components and consequently, the cost of our products. There can be no assurance that we will be able to recoup increasing costs of our components, including as a result of recent inflationary pressures, by increasing prices, which in turn would increase our operating costs and negatively impact our prospects.

Any disruption in the supply of components or materials could temporarily disrupt production of our batteries until an alternative supplier is able to supply the required material. Changes in business conditions, unforeseen circumstances, governmental changes, labor shortages, the effects of the COVID-19 pandemic and other factors beyond our control or which we do not presently anticipate, could also affect our suppliers' ability to deliver components to us on a timely basis.

Currency fluctuations, trade barriers, trade sanctions, export restrictions, tariffs, embargoes or shortages and other general economic or political conditions may limit our ability to obtain key components for our lithium-ion batteries or significantly increase freight charges, raw material costs and other expenses associated with our business, which could further materially and adversely affect our results of operations, financial condition and prospects. For example, our factory is located in Fremont, California and our products require materials and equipment manufactured outside the country, including the People's Republic of China (the "PRC"). If tariffs are placed on these materials and equipment, it could materially impact our ability to obtain materials on commercially reasonable terms.

Any of the foregoing could materially and adversely affect our results of operations, financial condition and prospects.

***We may be unable to adequately control the costs associated with our operations and the components necessary to build our lithium-ion battery cells.***

We will require significant capital to develop and grow our business and expect to incur significant expenses, including those relating to raw material procurement, leases, sales and distribution as we build our brand and market our batteries, and general and administrative costs as we scale our operations. Our ability to become profitable in the future will not only depend on our ability to successfully market our lithium-ion batteries and services, but also to control our costs. A large fraction of the cost of our battery, like most commercial batteries, is driven by the cost of component materials like anode and cathode powder, separator, pouch material, current collectors, etc. It also includes machined parts that are part of the package. We have assumed based on extensive discussions with vendors, customers, industry analysts and independent research, target costs at startup of production and an assumed cost reduction over time. These estimates may prove inaccurate and adversely affect the cost of our batteries.

If we are unable to cost-efficiently manufacture, market, sell and distribute our lithium-ion batteries and services, our margins, profitability and prospects would be materially and adversely affected. We have not yet produced any lithium-ion battery cells at volume, and our forecasted cost advantage for the production of these cells at scale, compared to conventional lithium-ion cells, will require us to achieve certain goals in connection with rates of throughput, use of electricity and consumables, yield and rate of automation demonstrated for mature battery, battery material and manufacturing processes, that we have not yet achieved and may not achieve in the future. We are planning on improving the productivity and reducing the cost of our production lines relative to the first line we have built. In addition, we are planning continuous productivity improvements going forward. If we are unable to achieve these targeted rates or productivity improvements, our business will be adversely impacted.

#### **Risks Related to Our Customer**

*Our relationships with our current customers are subject to various risks which could adversely affect our business and future prospects.*

Our customers' products are typically on a yearly or longer refresh cycles. If we miss qualification timing by even a small amount, the impact to our production schedule, revenue and profits could be large. While we intend to pass all qualification criteria, some field reliability risks remain such as cycle life, long-term high-temp storage capacity and swelling, etc. While we have product wins for which we are designing custom products for specific customers, we do not have volume production commitments for each of these products. Should we not be able to convert these design wins into orders for volume production, our financial performance would be impacted. Batteries are known in the market to have historically faced risk associated with safety, and therefore customers can be reluctant to take risks on new battery technologies. Since no new battery technology analogues to our technology have entered the market for thirty years, it may be difficult for us to overcome customer risk objections. If unanticipated problems arise, it may raise warranty costs and adversely affect revenue and profit.

In addition, one of our customers has exclusive rights to purchase our batteries for use in the augmented reality and virtual reality space through 2024, which could limit our ability to sell batteries to other customers in this space, which may limit our ability to grow our business in the augmented reality and virtual reality space through 2024.

*If our batteries fail to perform as expected, our ability to develop, market and sell our batteries could be harmed.\**

We have experienced a limited number of returns of batteries that have failed to perform as expected. As commercial production of our lithium-ion battery cells increases, our batteries may contain defects in design and manufacture that may cause them to not perform as expected or that may require repairs, recalls and design changes. Our batteries are inherently complex and incorporate technology and components that have not been used for other applications and that may contain defects and errors, particularly when first introduced. We have a limited frame of reference from which to evaluate the long-term performance of our lithium-ion batteries. There can be no assurance that we will be able to detect and fix any defects in our lithium-ion batteries prior to the sale to potential consumers. If our batteries fail to perform as expected, we could lose design wins and customers may delay deliveries, terminate further orders or initiate product recalls, each of which could adversely affect our sales and brand and could adversely affect our business, prospects and results of operations.

Our battery architecture is different than others and may behave differently in certain customer use applications that we have not evaluated. This could limit our ability to deliver to certain applications, including, but not limited to action cameras, portable gaming and smartwatches built for children. In addition, we have limited historical data on the performance and reliability of our batteries over time, and therefore it could fail unexpectedly in the field resulting in significant warranty costs or brand damage in the market. In addition, the electrodes and separator structure of our battery is different from traditional lithium-ion batteries and therefore could be susceptible to different and unknown failure modes leading our batteries to fail and cause a safety event in the field. Such an event could result in the failure of our end customers' products as well as the loss of life or property. Such an event could result in severe financial penalties for us, including the loss of revenue, cancellation of supply contracts and the inability to win new business due to reputational

damage in the market. In addition, some of our supply agreements require us to fund some or all of the cost of a recall and replacement of end products affected by our batteries.

***Our future growth and success depend on our ability to qualify new customers.\****

Our growth will depend in large part on our ability to qualify new consumers. We have invested heavily in qualifying our customers and plan to continue to do so. We are in the very early stages of growth in our existing markets, and we expect to substantially raise brand awareness by connecting directly with our customers. We anticipate that these activities will lead to additional deliveries, and, as a result, increase our base of Enovix's qualified customers. An inability to attract new customers would substantially impact our ability to grow revenue or improve our financial results.

***Our future growth and success depend on our ability to sell effectively to large customers.\****

Our potential customers are manufacturers of products that tend to be large enterprises and organizations, including the U.S. military. Therefore, our future success will depend on our ability to effectively sell our products to such large customers. Sales to these end-customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller customers. These risks include, but are not limited to, (i) increased purchasing power and leverage held by large customers in negotiating contractual arrangements with us and (ii) longer sales cycles and the associated risk that substantial time and resources may be spent on a potential end-customer that elects not to purchase our solutions.

Large organizations often undertake a significant evaluation process that results in a lengthy sales cycle. In addition, product purchases by large organizations are frequently subject to budget constraints, multiple approvals and unanticipated administrative, processing and other delays. Finally, large organizations typically have longer implementation cycles, require greater product functionality and scalability, require a broader range of services, demand that vendors take on a larger share of risks, require acceptance provisions that can lead to a delay in revenue recognition and expect greater payment flexibility. All of these factors can add further risk to business conducted with these potential customers.

***We may not be able to accurately estimate the future supply and demand for our batteries, which could result in a variety of inefficiencies in our business and hinder our ability to generate revenue. If we fail to accurately predict our manufacturing requirements, we could incur additional costs or experience delays.***

It is difficult to predict our future revenues and appropriately budget for our expenses, and we may have limited insight into trends that may emerge and affect our business. We anticipate being required to provide forecasts of our demand to our current and future suppliers prior to the scheduled delivery of products to potential customers. Currently, there is no historical basis for making judgments on the demand for our batteries or our ability to develop, manufacture and deliver batteries, or our profitability in the future. If we overestimate our requirements, our suppliers may have excess inventory, which indirectly would increase our costs. If we underestimate our requirements, our suppliers may have inadequate inventory, which could interrupt manufacturing of our products and result in delays in shipments and revenues. Many factors will affect the demand for our batteries. For example, most of the end products in which our batteries are expected to be used are manufactured in the PRC. If the political situation between the PRC and the United States were to deteriorate, it could prevent our customers from purchasing its batteries.

Lead times for materials and components that our suppliers order may vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at a given time. If we fail to order sufficient quantities of product components in a timely manner, the delivery of batteries to our potential customers could be delayed, which would harm our business, financial condition and operating results.

***Increases in sales of our lithium-ion battery cells may increase our dependency upon specific customers and our costs to develop and qualify our system solutions.***

The development of our lithium-ion battery cells is dependent, in part, upon successfully identifying and meeting our customers' specifications for those products. Developing and manufacturing lithium-ion batteries with specifications unique to a customer increases our reliance upon that customer for purchasing our products at sufficient volumes and prices in a timely manner. If we fail to identify or develop products on a timely basis, or at all, that comply with our customers' specifications or achieve design wins with customers, we may experience a significant adverse impact on our revenue and margins. Even if we are successful in selling lithium-ion batteries to our customers in sufficient volume, we may be unable to generate sufficient profit if per-unit manufacturing costs exceed per-unit selling prices. Manufacturing lithium-ion batteries to customer specifications requires a longer development cycle, as compared to discrete products, to design, test and qualify, which may increase our costs and could harm our business, financial condition and operating results.

## Risks Related to Our Business

***We are an early-stage company with a history of financial losses and expect to incur significant expenses and continuing losses for the foreseeable future.\****

We incurred net loss of approximately \$40.4 million and \$41.3 million, respectively, for the fiscal years-to-date ended October 2, 2022 and October 3, 2021 and an accumulated deficit of approximately \$373.6 million as of October 2, 2022. We believe that we will continue to incur operating and net losses each quarter until at least the time we begin significant production of our Li-ion batteries.

We expect the rate at which we will incur losses to be significantly higher in future periods as we, among other things: continue to incur significant expenses in connection with the development of our manufacturing process and the manufacturing of our batteries; secure additional manufacturing facilities and invest in manufacturing capabilities; build up inventory of components for our batteries; increase our sales and marketing activities; develop our distribution infrastructure; and increase our general and administrative functions to support our growing operations. We may find that these efforts are more expensive than we currently anticipate or that these efforts may not result in substantial revenues, which would further increase our losses.

***We are in the early stage of commercialization. In addition, certain aspects of our technology have not been fully field tested. If we are unable to develop our business and effectively commercialize our products as anticipated, we may not be able to generate revenues or achieve profitability.\****

The growth and development of our operations will depend on the successful commercialization and market acceptance of our products and our ability to manufacture products at scale while timely meeting customers' demands.

There is no certainty that, once shipped, our products will operate as expected, and we may not be able to generate sufficient customer confidence in our latest designs and ongoing product improvements. There are inherent uncertainties in our ability to predict future demand for our products and, as a consequence, we may have inadequate production capacity to meet demand, or alternatively, have excess available capacity. Our inability to predict the extent of customer adoption of our proprietary technologies makes it difficult to evaluate our future prospects.

Beginning in the second quarter of 2022, we made commercial shipments to multiple customers. If we experience significant delays or order cancellations, or if we fail to develop our products in accordance with contract specifications, then our operating results and financial condition could be adversely affected. In addition, there is no assurance that if we alter or change our products in the future, that the demand for these new products will develop, which could adversely affect our business and any possible revenues. If our products are not deemed desirable and suitable for purchase and we are unable to establish a customer base, we may not be able to generate revenues or attain profitability.

***We face significant barriers in our attempts to produce our products, our products are still under development, and we may not be able to successfully develop our products at commercial scale. If we cannot successfully overcome those barriers, our business will be negatively impacted and could fail.\****

Producing lithium-ion batteries that meet the requirements for wide adoption by industrial and consumer applications is a difficult undertaking. We are still in the early stage of commercialization and face significant challenges achieving the long-term energy density targets for our products and producing our products in commercial volumes. Some of the challenges that could prevent the wide adoption of our lithium ion batteries include difficulties with (i) increasing the volume, yield and reliability of our cells, (ii) increasing manufacturing capacity to produce the volume of cells needed to meet demand, (iii) installing and optimizing higher volume manufacturing equipment, (iv) packaging our batteries to ensure adequate cycle life, (v) material cost reductions, (vi) qualifying new vendors, (vii) expanding supply chain capacity, (viii) the completion of rigorous and challenging battery safety testing required by our customers or partners, including but not limited to, performance, cycle life and abuse testing and (x) the development of the final manufacturing processes.

Our Fab-1 is in the early production stage and there are significant yield, material cost, performance and manufacturing process challenges to be solved prior to volume commercial production. We are likely to encounter further engineering challenges as we increase the capacity of our batteries and efficiency of our manufacturing process. If we are not able to overcome these barriers in producing our batteries, our business could fail.

The Gen1 manufacturing equipment requires qualified labor to inspect the parts to ensure proper assembly. We have already experienced equipment malfunctions during the scaling up of the manufacturing process, and the lack of qualified labor to inspect our batteries may further slow our production and impact our manufacturing costs and production schedule.

Even if we complete development and achieve volume production of our lithium-ion batteries, if the cost, performance characteristics or other specifications of the batteries fall short of our targets, our sales, product pricing and margins would likely be adversely affected.

***Operational problems with our manufacturing equipment subject us to safety risks which, if not adequately addressed, could have a material adverse effect on our business, results of operations, cash flows, financial condition or prospects.***

Operational problems with our manufacturing equipment subject us to safety risks which, if not adequately addressed, could result in the personal injury to or death of workers, the loss of production equipment, damage to manufacturing facilities, monetary losses, delays and unanticipated fluctuations in production. We have retained industry experts and designed our factory with appropriate safety precautions to address the fire risk of manufacturing batteries and minimize the impact of any event. Should these precautions be inadequate or an event be larger than expected, we could have significant equipment or facility damage that would impact our ability to deliver product and require additional cash to recover. In addition, operational problems may result in environmental damage, administrative fines, increased insurance costs and potential legal liabilities. All of these operational problems could have a material adverse effect on our business, results of operations, cash flows, financial condition or prospects.

***Lithium-ion battery modules in the marketplace have been observed to catch fire or vent smoke and flame, and such events have raised concerns over the use of such batteries.\****

We develop lithium-ion battery cells for industrial and consumer equipment and intend to supply these lithium-ion battery cells for industrial and consumer applications. Historically, lithium-ion batteries in laptops and cellphones have been reported to catch fire or vent smoke and flames, and more recently, news reports have indicated that several electric vehicles that use high-power lithium-ion batteries have caught on fire. As such, any adverse publicity and issues as to the use of high-power batteries in automotive or other applications will affect our business and prospects. In addition, any failure of our battery cells may cause damage to the industrial or consumer equipment or lead to personal injury or death and may subject us to lawsuits.

Our risks in this area are particularly pronounced given our lithium-ion batteries and our BrakeFlow™ technology have not yet been commercially tested or mass produced. We may have to recall our battery cells, which would be time-consuming and expensive. A product liability claim could generate substantial negative publicity about our batteries and business and inhibit or prevent commercialization of other future battery candidates, which would have a material adverse effect on our brand, business, prospects and operating results. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our reputation, business and financial condition. We may not be able to secure additional product liability insurance coverage on commercially acceptable terms or at reasonable costs when needed, particularly if we do face liability for our products and are forced to make a claim under our policy.

Further, product liability claims, injuries, defects or other problems experienced by other companies in the lithium-ion battery market could lead to unfavorable market conditions for the industry as a whole, and may have an adverse effect on our ability to attract new customers, thus harming our growth and financial performance.

***The battery market continues to evolve and is highly competitive, and we may not be successful in competing in this industry or establishing and maintaining confidence in our long-term business prospects among current and future partners and customers.***

The battery market in which we compete continues to evolve and is highly competitive. To date, we have focused our efforts on our silicon anode technology, which has been, and is being, designed to outperform conventional lithium-ion battery technology and other battery technologies. However, lithium-ion battery technology has been widely adopted, and our current competitors have, and future competitors may have, greater resources than we do and may also be able to devote greater resources to the development of their current and future technologies. These competitors also may have greater access to customers and may be able to establish cooperative or strategic relationships amongst themselves or with third parties that may further enhance their resources and competitive positioning. In addition, lithium-ion battery manufacturers may make improvements in energy density faster than they have historically and what we have assumed, continue to reduce cost and expand supply of conventional batteries and therefore reduce our energy density advantage and price premium, which would negatively impact the prospects for our business or negatively impact our ability to sell our products at a market-competitive price and sufficient margins.

There are a number of companies seeking to develop alternative approaches to lithium-ion battery technology. We expect competition in battery technology to intensify. Developments in alternative technologies or improvements in batteries technology made by competitors may materially adversely affect the sales, pricing and gross margins of our batteries. If a competing technology is developed that has superior operational or price performance, our business will be harmed. Further, our financial modeling assumes that, in addition to improving our core architecture over time, we are able to retain access to state-of-the-art industry materials as they are developed. If industry battery competitors develop their own proprietary materials, we would be unable to access these and would lose our competitive advantage in the market. If we fail to accurately predict and ensure that our battery technology can address customers' changing needs or emerging

technological trends, or if our customers fail to achieve the benefits expected from our lithium-ion batteries, our business will be harmed.

We must continue to commit significant resources to develop our battery technology in order to establish a competitive position, and these commitments will be made without knowing whether such investments will result in products potential customers will accept. There is no assurance we will successfully identify new customer requirements or develop and bring our batteries to market on a timely basis, or that products and technologies developed by others will not render our batteries obsolete or noncompetitive, any of which would adversely affect our business and operating results. Further, if we are unable to improve our energy density at a rate faster than the industry, our competitive advantage will erode.

Customers will be less likely to purchase our batteries if they are not convinced that our business will succeed in the long term. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed in the long term. Accordingly, in order to build and maintain our business, we must maintain confidence among current and future partners, customers, suppliers, analysts, ratings agencies and other parties in our long-term financial viability and business prospects. Maintaining such confidence may be particularly complicated by certain factors including those that are largely outside of our control, such as our limited operating history, market unfamiliarity with our products, any delays in scaling manufacturing, delivery and service operations to meet demand, competition and uncertainty regarding our production and sales performance compared with market expectations.

***We could face state-sponsored competition from overseas and may not be able to compete in the market on the basis of price.***

One or more foreign governments, including the PRC, have concluded that battery technology and battery manufacturing is a national strategic priority and therefore have instituted official economic policies meant to support these activities. These policies may provide our competitors with artificially lower costs. If these lower costs materialize and enable competitive products to be sold into our markets at prices that, if applied to us, would cause us to become unprofitable, our ability to continue operating could be threatened.

***Our failure to keep up with rapid technological changes and evolving industry standards may cause our batteries to become less marketable or obsolete, resulting in a decrease in demand for our batteries and harm our ability to grow revenue and expand margins.\****

The lithium-based battery market is characterized by changing technologies and evolving industry standards, which are difficult to predict. This, coupled with frequent introduction of new products and models, has shortened product life cycles and may render our batteries less marketable or obsolete. Also, our ability to grow revenue and expand margins will depend on our ability to develop and launch new product designs. Third parties, including our competitors, may improve their technologies or even achieve technological breakthroughs that could decrease the demand for our batteries. Our ability to adapt to evolving industry standards and anticipate future standards and market trends will be a significant factor in maintaining and improving our competitive position and our prospects for growth.

***If we are unable to attract and retain key employees and qualified personnel, our ability to compete could be harmed.***

Our success depends on our ability to attract and retain our executive officers, key employees and other qualified personnel, and, as a relatively small company with key talent residing in a limited number of employees, our operations and prospects may be severely disrupted if we lose any one or more of their services. Further, as we locate our new manufacturing facilities, build it out and bring it online, we will need to hire personnel to staff and maintain this facility with the technical qualifications, which we may not be able to do in the location at which this facility is located. Labor is subject to external factors that are beyond our control, including our industry's highly competitive market for skilled workers and leaders, cost inflation, the COVID-19 pandemic and workforce participation rates. As we build our brand and become more well known, there is increased risk that competitors or other companies will seek to hire our personnel. While some of our employees are bound by non-competition agreements, these may prove to be unenforceable. The failure to attract, integrate, train, motivate and retain these personnel could seriously harm our business and prospects. In addition, we are highly dependent on the services of Harrold Rust, our Chief Executive Officer, and other senior technical and management personnel, including our executive officers, who would be difficult to replace. If Mr. Rust or other key personnel were to depart, we may not be able to successfully attract and retain senior leadership necessary to grow our business.

***We have been, and may in the future be, adversely affected by the global COVID-19 pandemic.***

We face various risks related to epidemics, pandemics and other outbreaks, including the recent COVID-19 pandemic. The impact of COVID-19, including changes in consumer and business behavior, pandemic fears and market downturns, restrictions on business and individual activities, labor shortages, supply chain disruptions and inflation, has created significant volatility in the global economy and led to reduced economic activity. Certain of our employees have tested

positive for COVID-19 or have come in close contact with individuals with COVID-19. If a significant portion of our workforce is unable to work due to COVID-19 illness, quarantine or other government restrictions in connection with COVID-19, our operations may be negatively impacted. The spread of COVID-19 has also impacted our potential customers and suppliers by disrupting the manufacturing, delivery and overall supply chain of battery and device manufacturers. As a result, the effects of the COVID-19 pandemic could impact the availability of materials and resources necessary to install, bring-up and supply materials to our first production line.

In response to the COVID-19 pandemic, many federal, state, local, and foreign governments put in place, and others in the future may put in place, quarantines, executive actions, shelter-in-place orders, physical distancing requirements, and similar government orders and restrictions in order to control the spread of the disease.

For example, some employees at our headquarters located in Fremont, California were generally subject to a stay-at-home order from the state government. We have also required some employees at our headquarters located in Fremont, California to isolate or quarantine for a period of time after infection with or exposure to the SARS-CoV-2 virus. These measures have adversely impacted and similar measures may in the future adversely impact our employees, research and development activities and operations and the operations of our suppliers, vendors and business partners and may negatively impact our sales and marketing activities. In addition, various aspects of our business cannot be conducted remotely. These measures may remain in place for a significant period of time and they are likely to continue to adversely affect our future manufacturing plans, sales and marketing activities, business and results of operations. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, suppliers, vendors and business partners.

The global impact of COVID-19 has rapidly evolved and continues to rapidly evolve, and we will continue to monitor the situation closely. While it is not possible at this time to predict the duration and extent of the impact that the COVID-19 pandemic could have on worldwide economic activity and our business in particular, the continued spread of COVID-19, including the Delta and Omicron variants and other variants of the SARS-CoV-2 virus, the measures taken by governments, businesses and other organizations in response to the COVID-19 pandemic and the associated global economic uncertainty could materially and adversely impact our business, financial condition or results of operations. Even after the COVID-19 pandemic has ended, we may continue to experience an adverse impact to our business as a result of its global economic impact, including any recession that has occurred or may occur in the future.

***In the past, we had identified material weaknesses in our internal control over financial reporting. If we are unable to implement and maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports, and the market price of our Common Stock may be materially adversely affected.***

To date, we have never conducted a review of our internal control for the purpose of providing the reports required by the Sarbanes-Oxley Act of 2002. During our review and testing, we may identify deficiencies and be unable to remediate them before we must provide the required reports. In the past, we and our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting, all of which have since been remediated. We did not identify any material weakness for the fiscal year-to-date ended October 2, 2022.

Furthermore, if, in the future, we have a material weakness in our internal controls over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We or our independent registered public accounting firm may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting, which could harm our operating results, cause investors to lose confidence in our reported financial information and cause the trading price of our stock to fall. In addition, as a public company, we are required to file accurate and timely quarterly and annual reports with the SEC under the Exchange Act. Any failure to report our financial results on an accurate and timely basis could result in sanctions, lawsuits, delisting of our shares from Nasdaq or other adverse consequences that would materially harm our business. In addition, we could become subject to investigations by the stock exchange on which our securities are listed, the SEC and other regulatory authorities and litigation from investors and stockholders, which could harm our reputation and our financial condition, or divert financial and management resources from our core business.

***We have incurred and will incur significant increased expenses and administrative burdens as a public company, which could negatively impact our business, financial condition and results of operations.***

We face increased legal, accounting, administrative and other costs and expenses as a public company that Legacy Enovix did not incur as a private company. The Sarbanes-Oxley Act of 2002, including the requirements of Section 404, as well as rules and regulations subsequently implemented by the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the rules and regulations promulgated and to be promulgated thereunder, the PCAOB and the securities exchanges, impose additional reporting and other obligations on public companies. Compliance with public company requirements will increase costs and make certain activities more time consuming. A number of those



requirements require us to carry out activities Legacy Enovix has not done previously. For example, we have created new board committees and adopted new internal controls and disclosure controls and procedures. In addition, expenses associated with SEC reporting requirements have been and will be incurred. Furthermore, if any issues in complying with those requirements are identified (for example, if we identify a material weakness or significant deficiency in the internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect our reputation or investor perceptions of us. It may also be more expensive to obtain director and officer liability insurance. Risks associated with our status as a public company may make it more difficult to attract and retain qualified persons to serve on our board of directors or as executive officers. The additional reporting and other obligations imposed by these rules and regulations have increased and will increase legal and financial compliance costs and the costs of related legal, accounting and administrative activities. These increased costs will require us to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives. Advocacy efforts by stockholders and third parties may also prompt additional changes in governance and reporting requirements, which could further increase costs.

In addition, we implemented an enterprise resource planning (“ERP”), system for our company. An ERP system is intended to combine and streamline the management of our financial, accounting, human resources, sales and marketing and other functions, enabling us to manage operations and track performance more effectively. However, an ERP system will likely require us to complete many processes and procedures for the effective use of the system or to run our business using the system, which may result in substantial costs. Additionally, in the future, we may be limited in our ability to convert any business that we acquire to the ERP. Any disruptions or difficulties in using an ERP system could adversely affect our controls and harm our business, including our ability to forecast or make sales and collect our receivables. Moreover, such disruption or difficulties could result in unanticipated costs and diversion of management attention.

***Our failure to timely and effectively implement controls and procedures required by Section 404(a) of the Sarbanes-Oxley Act of 2002 that are applicable to us could negatively impact our business.***

Legacy Enovix was not subject to Section 404 of the Sarbanes-Oxley Act of 2002. However, having consummated the Business Combination, we are required to provide management’s attestation on internal controls. The standards required for a public company under Section 404(a) of the Sarbanes-Oxley Act of 2002 are significantly more stringent than those required of Legacy Enovix as a privately held company. Management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that are applicable after the Business Combination. If we are not able to implement the additional requirements of Section 404(a) in a timely manner or with adequate compliance, we may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could harm investor confidence and the market price of our securities.

***The Company has been in the past, and may be in the future, subject to legal proceedings in connection with the Business Combination that have requested, or may request, the rescission of the Business Combination, and the outcomes of such litigation can be uncertain.***

On March 22, 2021, Michael Costello, a purported stockholder in RSVAC, filed a complaint in the Superior Court of California, San Mateo County, against RSVAC and its board of directors. The case is captioned Michael Costello v. Rodgers Silicon Valley Acquisition Corp., et al., 21-CV-01536. This Costello complaint alleged, among other things, that the RSVAC directors breached their fiduciary duties in connection with the terms of the Business Combination, and that the disclosures in RSVAC’s registration statement regarding the Business Combination were materially deficient. The complaint also alleged aiding and abetting claims against RSVAC. The case was voluntarily dismissed on August 24, 2021.

On April 5, 2021, Derek Boxhorn, a purported stockholder in RSVAC, filed a complaint in the United States District Court for the Southern District of New York against RSVAC and its board of directors. The case is captioned Derek Boxhorn v. Rodgers Silicon Valley Acquisition Corp., et al., 1:21-cv-02900 (SDNY). The Boxhorn complaint alleged, among other things, that the defendants violated Sections 14(a) and 20(a) of the Exchange Act, and that the individual defendants breached their fiduciary duties, in connection with the terms of the Business Combination, and that RSVAC’s registration statement contained materially incomplete and misleading information regarding the Business Combination. The case was voluntarily dismissed on October 19, 2021. After the dismissal and on December 3, 2021, the plaintiff filed a motion for attorneys’ fees and costs. On August 23, 2022, the court denied the plaintiff’s motion for attorney’s fees and the case is closed.

Additional lawsuits may be filed against us or our directors and officers in connection with the Business Combination. Defending such lawsuits could require us to incur significant costs and divert the attention of the management team. Further, the defense or settlement of any lawsuit or claim may adversely affect our business, financial condition, results of operations and cash flows. We cannot predict the outcome of the lawsuits or any others that might be filed subsequent to the date of filing of this registration statement and cannot reasonably estimate the possible loss or range of loss with respect

to these matters. We believe that the lawsuits or any related claims are without merit and intend to defend against the claims vigorously.

#### **Risks Related to Our Need for Additional Capital**

*We may not have adequate funds to finance our operating needs and our growth, and may need to raise additional capital, which we may not be able to do.\**

The design, manufacture and sale of batteries is a capital-intensive business. As a result of the capital intensive nature of our business, we can be expected to continue to sustain substantial operating expenses without generating sufficient revenues to cover expenditures. We may need to raise additional capital to acquire our next manufacturing facility and build it out. Adequate additional funding may not be available to us on acceptable terms or at all. Our failure to raise capital in the future would have a negative impact on our ability to complete our manufacturing facilities, our financial condition and our ability to pursue our business strategies. The amount of capital that we will be required to raise, and our ability to raise substantial additional capital, will depend on many factors, including, but not limited to:

- our ability and the cost to develop our new and complex manufacturing process that will produce lithium-ion batteries in a cost-effective manner;
- our ability to continue to build-out and scale our Fremont manufacturing facility in a timely and cost-effective manner;
- our ability to locate and acquire new, larger manufacturing facilities on commercially reasonable terms;
- our ability to build out our new, larger manufacturing facilities in a cost-effective manner;
- the cost of preparing to manufacture lithium-ion batteries on a larger scale;
- the costs of commercialization activities including product sales, marketing, manufacturing and distribution;
- our ability to hire additional personnel;
- the demand for our lithium-ion batteries and the prices for which we will be able to sell our lithium-ion batteries;
- the emergence of competing technologies or other adverse market developments;
- the effects of the COVID-19 pandemic on our business, results of operations and financial condition; and
- volatility in the equity markets, including as a result of war or other armed conflict, such as Russia's invasion of Ukraine.

Our long-term financial model assumes we expand both on our own and by partnering with other battery companies. Should we not be able to achieve these partnering goals we would have to expand purely on our own. This would require additional capital and could impact how fast we can ramp revenue and achieve profitability. It could also impact our ability to service some customers that require second sources for supply. Additionally, if we can achieve these partnerships but not on the financial terms we are assuming, it could impact our financial performance.

Further, we cannot guarantee that our business will generate sufficient cash flow from operations to fund our capital expenditures or other liquidity needs. Over time, we expect that we will need to raise additional funds through the issuance of equity, equity-related or debt securities or through obtaining credit from financial institutions to fund, together with our principal sources of liquidity, ongoing costs such as research and development relating to our batteries, any significant unplanned or accelerated expenses and new strategic investments.

As discussed in the condensed consolidated financial statements, in Part I of this Quarterly Report on Form 10-Q, we are not profitable and have incurred losses in each year since our inception. We incurred net loss of approximately \$40.4 million and \$41.3 million, respectively, for the fiscal years-to-date ended October 2, 2022 and October 3, 2021. As of October 2, 2022, we had an accumulated deficit of \$373.6 million. We expect to continue to incur losses for the foreseeable future, and we anticipate these losses will increase as we continue our manufacturing scale up, add additional manufacturing capacity, continue commercialization and continue to operate as a public company and comply with legal, accounting and other regulatory requirements. We cannot be certain that additional capital will be available on attractive terms, if at all, when needed, which could be dilutive to stockholders, and our financial condition, results of operations, business and prospects could be materially and adversely affected.

***Raising additional funds may cause dilution to existing stockholders and/or may restrict our operations or require us to relinquish proprietary rights.***

To the extent that we raise additional capital by issuing equity or convertible debt securities, our existing stockholders' ownership interest may experience substantial dilution, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of a holder of our Common Stock. Any agreements for future debt or preferred equity financings, if available, may involve covenants limiting or restricting our ability to take specific actions, such as raising additional capital, incurring additional debt, making capital expenditures or declaring dividends. In addition, if we raise additional funds through collaborations, strategic alliances or marketing, distribution or licensing arrangements with third parties, we may be required to relinquish valuable rights to our technologies or future revenue streams.

**Risks Related to Our Intellectual Property**

***We rely heavily on our intellectual property portfolio. If we are unable to protect our intellectual property rights, our business and competitive position would be harmed.***

We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position. We rely upon a combination of the intellectual property protections afforded by patent, copyright, trademark and trade secret laws in the United States and other jurisdictions, as well as license agreements and other contractual protections, to establish, maintain and enforce rights in our proprietary technologies. In addition, we seek to protect our intellectual property rights through nondisclosure and invention assignment agreements with our employees and consultants and through non-disclosure agreements with business partners and other third parties. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or be able to design around our intellectual property. Monitoring unauthorized use of our intellectual property is difficult and costly, and the steps we have taken or will take to prevent misappropriation may not be sufficient. Any enforcement efforts we undertake, including litigation, could be time-consuming and expensive and could divert management's attention, which could harm our business, results of operations and financial condition. Moreover, our intellectual property is stored on computer systems that could be penetrated by intruders and potentially misappropriated. There is no guarantee that our efforts to protect our computer systems will be effective. In addition, existing intellectual property laws and contractual remedies may afford less protection than needed to safeguard our intellectual property portfolio.

Patent, copyright, trademark and trade secret laws vary significantly throughout the world. A number of foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States. Therefore, our intellectual property rights may not be as strong or as easily enforced outside of the United States, and efforts to protect against the unauthorized use of our intellectual property rights, technology and other proprietary rights may be more expensive and difficult outside of the United States. Further, we have not established our intellectual property rights in all countries in the world, and competitors may copy our designs and technology and operate in countries in which we have not prosecuted our intellectual property. Failure to adequately protect our intellectual property rights could result in our competitors using our intellectual property to offer products, and competitors' ability to design around our intellectual property would enable competitors to offer similar or better batteries, in each case potentially resulting in the loss of some of our competitive advantage and a decrease in our revenue, which would adversely affect our business, prospects, financial condition and operating results.

***We may need to defend ourselves against intellectual property infringement claims, which may be time-consuming and could cause us to incur substantial costs.***

Companies, organizations or individuals, including our current and future competitors, may hold or obtain patents, trademarks or other proprietary rights that would prevent, limit or interfere with our ability to make, use, develop or sell our products, which could make it more difficult for us to operate our business. From time to time, we may receive inquiries from holders of patents or trademarks inquiring whether we are infringing their proprietary rights and/or seek court declarations that they do not infringe upon our intellectual property rights. Companies holding patents or other intellectual property rights relating to batteries, electric motors or electronic power management systems may bring suits alleging infringement of such rights or otherwise asserting their rights and seeking licenses. In addition, if we are determined to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease selling, incorporating or using products that incorporate the challenged intellectual property;
- pay substantial damages;
- obtain a license from the holder of the infringed intellectual property right, which license may not be available on reasonable terms or at all; or
- redesign our batteries.

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In the event of a successful claim of infringement against us and our failure or inability to obtain a license to the infringed technology, our business, prospects, operating results and financial condition could be materially adversely affected. In addition, any litigation or claims, whether or not valid, could result in substantial costs and diversion of resources and management's attention.

We also license patents and other intellectual property from third parties, and we may face claims that our use of this intellectual property infringes the rights of others. In such cases, we may seek indemnification from our licensors under our license contracts with them. However, our rights to indemnification may be unavailable or insufficient to cover our costs and losses, depending on our use of the technology, whether we choose to retain control over conduct of the litigation and other factors.

***Our patent applications may not result in issued patents or our patent rights may be contested, circumvented, invalidated or limited in scope, any of which could have a material adverse effect on our ability to prevent others from interfering with our commercialization of our products.***

Our patent applications may not result in issued patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting products similar to ours. The status of patents involves complex legal and factual questions and the breadth of claims allowed is uncertain. As a result, we cannot be certain that the patent applications that we file will result in patents being issued or that our patents and any patents that may be issued to us will afford protection against competitors with similar technology. Numerous patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. In addition to those who may claim priority, any of our existing or pending patents may also be challenged by others on the basis that they are otherwise invalid or unenforceable. Furthermore, patent applications filed in foreign countries are subject to laws, rules and procedures that differ from those of the United States, and thus we cannot be certain that foreign patent applications related to issued U.S. patents will be issued.

Even if our patent applications succeed and we are issued patents in accordance with them, it is still uncertain whether these patents will be contested, circumvented, invalidated or limited in scope in the future. The rights granted under any issued patents may not provide us with meaningful protection or competitive advantages, and some foreign countries provide significantly less effective patent enforcement than in the United States. In addition, the claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. The intellectual property rights of others could also bar us from licensing and exploiting any patents that issue from our pending applications. In addition, patents issued to us may be infringed upon or designed around by others, and others may obtain patents that we need to license or design around, either of which would increase costs and may adversely affect our business, prospects, financial condition and operating results.

### **Risks Related to Our Regulatory Compliance**

***We may encounter regulatory approval difficulties which could delay our ability to launch our lithium-ion battery cells, and compliance with regulatory laws may limit their usefulness.***

Any delay in the development and manufacturing scale-up of our lithium-ion battery cells would negatively impact our business as it will delay time to revenue and negatively impact our customer relationships. For example, although we plan on passing all the required regulatory abuse testing, because our design is new and has very high energy density, there may be unanticipated failure modes that occur in the field which could delay or prevent us from launching our batteries. Further, there are current limits on the amount of energy that can be transported via different methods, particularly air travel. These limits have been historically based on the energy of batteries currently on the market. These limits may have to be increased in the future if they are not to limit the transportation of our batteries. If these limits are not increased, it could increase the costs and duration of shipping of our finished product and limit customer use of our batteries in certain cases. This could increase our inventory costs and limit sales of our batteries in some markets.

***We are subject to substantial regulation, and unfavorable changes to, or our failure to comply with, these regulations could substantially harm our business and operating results.***

Our batteries are subject to substantial regulation under international, federal, state and local laws, including export control laws. We expect to incur significant costs in complying with these regulations. Regulations related to the battery and alternative energy are currently evolving, and we face risks associated with changes to these regulations.

To the extent the laws change, our products may not comply with applicable international, federal, state or local laws, which would have an adverse effect on our business. Compliance with changing regulations could be burdensome, time consuming and expensive. To the extent compliance with new regulations is cost prohibitive, our business, prospects, financial condition and operating results would be adversely affected.

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Internationally, there may be laws in jurisdictions we have not yet entered or laws we are unaware of in jurisdictions we have entered that may restrict our sales or other business practices. The laws in this area can be complex, difficult to interpret and may change over time. Continued regulatory limitations and other obstacles that may interfere with our ability to commercialize our products could have a negative and material impact on our business, prospects, financial condition and results of operations.

***We are subject to a variety of laws and regulations related to the safety and transportation of our batteries. Our failure to comply with these laws and regulations may have a material adverse effect on our business and results of operations.***

Many federal, state and local authorities require certification by Underwriters Laboratory, Inc., an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards, or other safety regulation certification prior to marketing battery cells. Foreign jurisdictions also have regulatory authorities overseeing the safety of consumer products. Our products may not meet the specifications required by these authorities. A determination that any of our products are not in compliance with these rules and regulations could result in the imposition of fines or an award of damages to private litigants.

In addition, lithium batteries have been identified as a Class 9 dangerous good during transport. To be safely transported (by air, sea, rail or roadways), they must meet various international, national, state and local authorities, including, for example, the provisions laid out in United Nations standard UN 38.3. This standard applies to batteries transported either on their own or installed in a device. UN 38.3 has been adopted by regulators and competent authorities around the world, thus making it a requirement for global market access. The failure to manage the transportation of our products could subject us to increased costs or future liabilities.

***We are subject to requirements relating to environmental and safety regulations and environmental remediation matters which could adversely affect our business, results of operations and reputation.***

We are subject to numerous federal, state and local environmental laws and regulations governing, among other things, solid and hazardous waste storage, treatment and disposal and remediation of releases of hazardous materials. There are significant capital, operating and other costs associated with compliance with these environmental laws and regulations. Environmental laws and regulations may become more stringent in the future, which could increase costs of compliance or require us to manufacture with alternative technologies and materials.

Federal, state and local authorities also regulate a variety of matters, including, but not limited to, health, safety and permitting in addition to the environmental matters discussed above. New legislation and regulations may require us to make material changes to our operations, resulting in significant increases to the cost of production.

Our manufacturing process will have hazards such as, but not limited to, hazardous materials, machines with moving parts and high voltage and/or high current electrical systems typical of large manufacturing equipment and related safety incidents. There may be safety incidents that damage machinery or product, slow or stop production or harm employees. Consequences may include litigation, regulation, fines, increased insurance premiums, mandates to temporarily halt production, workers' compensation claims or other actions that impact the company brand, finances or ability to operate.

***A failure to properly comply (or to comply properly) with foreign trade zone laws and regulations could increase the cost of our duties and tariffs.***

Our manufacturing facility in Fremont, California has been established as a foreign trade zone through qualification with U.S. Customs. Materials received in a foreign trade zone are not subject to certain U.S. duties or tariffs until the material enters U.S. commerce. We benefit from the adoption of foreign trade zones by reduced duties, deferral of certain duties and tariffs and reduced processing fees, which help us realize a reduction in duty and tariff costs. However, the operation of our foreign trade zone requires compliance with applicable regulations and continued support of U.S. Customs with respect to the foreign trade zone program. If we are unable to maintain the qualification of our foreign trade zones, or if foreign trade zones are limited or unavailable to us in the future, our duty and tariff costs would increase, which could have an adverse effect on our business and results of operations.

### **Risks Related to Ownership of Our Securities**

***The trading price of our Common Stock may be volatile, and you could lose all or part of your investment.***

Fluctuations in the price of our securities could contribute to the loss of all or part of your investment. Prior to the Business Combination, there was no public market for Legacy Enovix's stock and trading in the shares of RSVAC common stock (prior to consummation of the Business Combination, "RSVAC Common Stock") was not active. Accordingly, the valuation ascribed to Legacy Enovix and RSVAC Common Stock in the Business Combination may not have been indicative of the price that will prevail in the trading market following the Business Combination. The trading price of our securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Any of the factors listed below could have a material adverse effect on your investment in our

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securities and our securities may trade at prices significantly below the price you paid for them. In such circumstances, the trading price of our securities may not recover and may experience a further decline.

Factors affecting the trading price of our securities:

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about our operating results;
- success of competitors;
- our operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning us or the market in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- our ability to develop product candidates;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of shares of our securities available for public sale;
- any major change in our board of directors or management;
- sales of substantial amounts of Common Stock by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or other armed conflict or terrorism.

Broad market and industry factors may materially harm the market price of our securities irrespective of our operating performance. The stock market in general and Nasdaq in particular have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, is not be predictable. A loss of investor confidence in the market for battery company stocks or the stocks of other companies which investors perceive to be similar to us could depress our stock price regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

***If securities or industry analysts do not publish or cease publishing research or reports about us, our business, or our market, or if they change their recommendations regarding our securities adversely, the price and trading volume of our securities could decline.***

The trading market for our securities is influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. If any of the analysts who currently cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, the price of our securities would likely decline. If any analyst who currently cover us were to cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline. If we obtain additional coverage and any new analyst issues, an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our operating results fail to meet the expectations of analysts, our stock price could decline.

***The future sales of shares by existing stockholders and future exercise of registration rights may adversely affect the market price of our Common Stock.***

Sales of a substantial number of shares of our Common Stock in the public market could occur at any time. If our stockholders sell, or the market perceives that our stockholders intend to sell, substantial amounts of our Common Stock in the public market, the market price of our Common Stock could decline.

The holders of the Founder Shares (as defined under the heading "Founder Shares" in Note 11 "Related Party" of the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q)

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and Private Placement Warrants are entitled to registration rights pursuant to a registration rights agreement entered into in connection with the RSVAC IPO. The holders of the Founder Shares and Private Placement Warrants can elect to exercise these registration rights at any time. In addition, the holders have certain “piggy-back” registration rights with respect to registration statements filed subsequent to consummation of the Business Combination. The presence of these additional shares of Common Stock trading in the public market may have an adverse effect on the market price of our securities.

***A significant portion of our total outstanding shares of Common Stock are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of Common Stock to drop significantly, even if our business is doing well.***

Shares of our Common Stock that are currently restricted from immediate resale may be sold into the market in the near future. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of Common Stock. We are unable to predict the effect that sales may have on the prevailing market price of Common Stock.

To the extent our Private Placement Warrants are exercised, additional shares of Common Stock will be issued, which will result in dilution to the holders of Common Stock and increase the number of shares eligible for resale in the public market. Sales, or the potential sales, of substantial numbers of shares in the public market by the selling security holders, could increase the volatility of the market price of Common Stock or adversely affect the market price of Common Stock.

In addition, we have filed a registration statement on Form S-8 under the Securities Act registering the issuance of approximately 27.9 million shares of Common Stock subject to options or other equity awards issued or reserved for future issuance under our equity incentive plans. Shares registered under this registration statement on Form S-8 will be available for sale in the public market subject to vesting arrangements, exercise of options and settlement of restricted stock units.

***A market for our securities may not continue, which would adversely affect the liquidity and price of our securities.***

The price of our securities may fluctuate significantly due to general market and economic conditions and an active trading market for our securities may not be sustained. In addition, the price of our securities can vary due to general economic conditions and forecasts, our general business condition and the release of our financial reports. If our securities are not listed on, or for any reason become delisted from, Nasdaq and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of our securities may be more limited than if we were quoted or listed on Nasdaq or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

***There can be no assurance that we will be able to comply with the continued listing standards of Nasdaq.***

If Nasdaq delists our securities from trading on its exchange for failure to meet the listing standards, we and our stockholders could face significant material adverse consequences including:

- a limited availability of market quotations for our securities;
- a determination that our Common Stock is a “penny stock” which will require brokers trading in our Common Stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for our Common Stock;
- a limited amount of analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

***Private Placement Warrants are exercisable for our Common Stock, which would increase the number of shares eligible for future resale in the public market and result in dilution to our stockholders.***

In connection with the RSVAC IPO, RSVAC issued Private Placement Warrants to purchase 6,000,000 shares of Common Stock to the Sponsor. Each Warrant is exercisable to purchase one share of Common Stock at \$11.50 per share. To the extent such warrants are exercised, additional shares of our Common Stock will be issued, which will result in dilution to the then existing holders of our Common Stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our Common Stock. The Warrants became exercisable 12 months from the closing of the RSVAC IPO, and they expire five years after the completion of the Business Combination or earlier upon redemption or liquidation, as described in our Registration Statement on Form S-1, filed with the SEC on August 2, 2021, as may be amended.

***We currently qualify as an “emerging growth company” within the meaning of the Securities Act, and if we take advantage of certain exemptions from disclosure requirements available to emerging growth companies, it could make***

*our securities less attractive to investors and may make it more difficult to compare our performance to the performance of other public companies.\**

We currently qualify as an “emerging growth company” as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. As such, we are eligible for and intend to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as we continue to be an emerging growth company, including (a) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002, (b) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (c) reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as we are an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to opt out of such extended transition period and, therefore, we may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

On the last business day of our second fiscal quarter of 2022, the aggregate worldwide market value of shares of Common Stock held by our non-affiliate stockholders exceeded \$700 million. As a result, as of this fiscal year end, January 1, 2023, we will be deemed a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act and we will cease to be an “emerging growth company” as defined in the JOBS Act. As of such date, we will no longer be permitted to rely on exemptions from certain disclosure requirements that are applicable to emerging growth companies. As a result, we may incur significant additional expenses that we did not previously incur. Moreover, once we are no longer deemed an “emerging growth company,” the cost of compliance with Section 404 of the Sarbanes-Oxley Act of 2002 will require us to incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. If we are not able to implement the additional requirements of Section 404(a) in a timely manner or with adequate compliance, we may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could harm investor confidence and the market price of our securities. In addition, if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting as material weaknesses, we may be required to make prospective or retroactive changes to our financial statements, consider other areas for further attention or improvement, or be unable to obtain the required attestation in a timely manner, if at all.

***Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for certain disputes between us and our stockholders, which could limit our stockholders’ ability to choose the judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) is the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of fiduciary duty owed by any of our current or former directors, officers or other employees to us or our stockholders;
- any action asserting a claim against us by any of our current or former directors, officers or other employees to us or our stockholders arising under the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws;
- any action or proceeding to interpret, apply, enforce or determine the validity of the amended and restated certificate of incorporation or the amended or restated bylaws (including any right, obligation or remedy thereunder);
- any action or proceeding as to which the General Corporation Law of the State of Delaware (the “DGCL”) confers jurisdiction to the Court of Chancery of the State of Delaware; and
- any action asserting a claim against us or any of our current or former directors, officers or other employees that is governed by the internal affairs doctrine, in all cases to the fullest extent permitted by law and subject to the court’s having personal jurisdiction over the indispensable parties named as defendants.



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This exclusive-forum provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction, or the Securities Act. In addition, to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, the Amended Charter provides that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. However, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Accordingly, both state and federal courts have jurisdiction to entertain such claims. As noted above, our amended and restated certificate of incorporation provides that the federal district courts of the United States will be the exclusive forum for the resolution of any complaint asserting a cause of action under the Securities Act. Due to the concurrent jurisdiction for federal and state courts created by Section 22 of the Securities Act over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, there is uncertainty as to whether a court would enforce the exclusive forum provision. Our amended and restated certificate of incorporation further provides that any person or entity holding, owning or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. Investors also cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act against us or our directors, officers or other employees in a venue other than in the federal district courts of the United States of America. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and we cannot assure you that the provisions will be enforced by a court in those other jurisdictions. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could harm our business.

### **General Risk Factors**

***We have been, and may in the future be, involved in legal proceedings and commercial or contractual disputes, which could have an adverse impact on our profitability and consolidated financial position.***

We may be involved in legal proceedings and commercial or contractual disputes that, from time to time, are significant. These are typically claims that arise in the normal course of business including, without limitation, commercial or contractual disputes, including warranty claims and other disputes with potential customers and suppliers, intellectual property matters, personal injury claims, environmental issues, tax matters and employment matters. For example, on January 21, 2022, two former machine operator employees filed a putative wage and hour class action lawsuit against Enovix and co-defendant Legendary Staffing, Inc. in the Superior Court of California, County of Alameda. The case is captioned *Sopheak Prak & Ricardo Pimentel v Enovix Corporation and Legendary Staffing, Inc.*, 22CV005846. The Prak complaint alleges, among other things, on a putative class-wide basis, that the defendants failed to pay all overtime wages and committed meal period, rest period and wage statement violations under the California Labor Code and applicable Wage Orders. The plaintiffs are seeking unpaid wages, statutory penalties and interest, and reasonable costs and attorney fees. In September 2022, we began the mediation process with the plaintiff.

It is difficult to predict the outcome or ultimate financial exposure, if any, represented by these matters, and there can be no assurance that any such exposure will not be material. Such claims may also negatively affect our reputation.

***Global conflicts could adversely impact our business, costs, supply chain, sales, financial condition or results of operations.\****

In late February 2022, Russia initiated significant military action against Ukraine. In response, the U.S. and certain other countries imposed significant sanctions and trade actions against Russia, and the U.S. and certain other countries could impose further sanctions, trade restrictions and other retaliatory actions should the conflict continue or worsen. It is not possible to predict the broader consequences of the conflict, including related geopolitical tensions, and the measures and retaliatory actions taken by the U.S. and other countries in respect thereof, as well as any counter measures or retaliatory actions by Russia in response, have caused and are likely to continue to cause regional instability and geopolitical shifts. Further, such conflict has materially adversely affected and is likely to continue to materially adversely affect global trade, currency exchange rates, regional economies and the global economy. While it is difficult to anticipate the impact of any of the foregoing on the Company, such conflict, and any similar future conflicts, including as a result of rising tensions between China and Taiwan, and actions taken in response could increase our costs, disrupt our supply chain,

reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise adversely affect our business, financial condition and results of operations.

***We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.\****

Highly publicized incidents of laptop computers and cell phones bursting into flames have focused attention on the safety of lithium-ion batteries. If one of our products were to cause injury to someone or cause property damage, including as a result of product malfunctions, defects or improper installation leading to a fire or other hazardous condition, we may become subject to product liability claims, even those without merit, which could harm our business, prospects, operating results and financial condition. We face inherent risk of exposure to claims in the event our batteries do not perform as expected or malfunction resulting in personal injury or death. Our risks in this area are particularly pronounced given our batteries have a limited history of commercial testing and mass production. A successful product liability claim against us could require us to pay a substantial monetary award. Moreover, a product liability claim could generate substantial negative publicity about our batteries and business and inhibit or prevent commercialization of other future battery candidates, which would have material adverse effect on our brand, business, prospects and operating results. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may have a material adverse effect on our reputation, business and financial condition. We may not be able to secure additional product liability insurance coverage on commercially acceptable terms or at reasonable costs when needed, particularly if we do face liability for our products and are forced to make a claim under our policy.

***Our batteries and our website, systems and data we maintain may be subject to intentional disruption, other security incidents or alleged violations of laws, regulations or other obligations relating to data handling that could result in liability and adversely impact our reputation and future sales.***

We expect to face significant challenges with respect to information security and maintaining the security and integrity of our systems and other systems used in our business, as well as with respect to the data stored on or processed by these systems. Advances in technology, an increased level of sophistication, an increased level of expertise of hackers and new discoveries in the field of cryptography or others can result in a compromise or breach of the systems used in our business or of security measures used in our business to protect confidential information, personal information and other data. There can be no guarantee that our efforts to secure our computer systems against intrusion or exfiltration will be successful.

The availability and effectiveness of our batteries, and our ability to conduct our business and operations, depend on the continued operation of information technology and communications systems, some of which we have yet to develop or otherwise obtain the ability to use. Systems used in our business, including data centers and other information technology systems, will be vulnerable to damage or interruption. Such systems could also be subject to break-ins, sabotage and intentional acts of vandalism, as well as disruptions and security incidents as a result of non-technical issues, including intentional or inadvertent acts or omissions by employees, service providers or others. We anticipate using outsourced service providers to help provide certain services, and any such outsourced service providers face similar security and system disruption risks as us. Some of the systems used in our business will not be fully redundant, and our disaster recovery planning cannot account for all eventualities. Any data security incidents or other disruptions to any data centers or other systems used in our business could result in lengthy interruptions in our service.

***Our facilities or operations could be damaged or adversely affected as a result of natural disasters and other catastrophic events.***

Our facilities or operations could be adversely affected by events outside of our control, such as natural disasters, wars or other armed conflicts, health epidemics such as the COVID-19 pandemic, and other calamities. Our headquarters and initial manufacturing facilities are located in Fremont, California, which is prone to earthquakes. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide services.

***Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition and results of operations.***

In recent years, the United States and global economies suffered dramatic downturns as the result of the COVID-19 pandemic, a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. The United States and certain foreign governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by

providing liquidity and stability to the financial markets. If the actions taken by these governments are not successful, the return of adverse economic conditions may negatively impact the demand for our lithium-ion battery cells and may negatively impact our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

***Our ability to utilize our net operating losses and certain other tax attributes to offset future taxable income and taxes may be subject to certain limitations.***

In general, under Sections 382 and 383 of the Code and corresponding provisions under state law, a corporation that undergoes an “ownership change” is subject to limitations on its ability to use its pre-change net operating loss carryforwards (“NOLs”) and other pre-change tax attributes to offset future taxable income and taxes. The limitations apply if a corporation undergoes an “ownership change,” which is generally defined as a greater than 50 percentage point change (by value) in its equity ownership by certain stockholders over a three-year period. If Legacy Enovix has experienced an ownership change at any time since its incorporation, we may already be subject to limitations on our ability to utilize Legacy Enovix’s existing NOLs and other tax attributes to offset taxable income or tax liability. In addition, the Business Combination and future changes in our stock ownership, which may be outside of our control, may have triggered or may trigger an ownership change. Similar provisions of state tax law may also apply to suspend or otherwise limit our use of accumulated state tax attributes. As a result, even if we earn net taxable income in the future, our ability to use our or Legacy Enovix’s NOL carryforwards and other tax attributes to offset such taxable income or tax liability may be subject to limitations, which could potentially result in increased future income tax liability to us.

There is also a risk that changes in law or regulatory changes made in response to the need for some jurisdictions to raise additional revenue to help counter the fiscal impact from the COVID-19 pandemic or for other unforeseen reasons, including suspensions on the use of net operating losses or tax credits, possibly with retroactive effect, may result in our and Legacy Enovix’s existing net operating losses or tax credits expiring or otherwise being unavailable to offset future income tax liabilities. A temporary suspension of the use of certain net operating losses and tax credits has been enacted in California, and other states may enact suspensions as well.

***We are or will be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation.***

We are or will be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations in various jurisdictions in which we conduct or in the future may conduct activities, including the U.S. Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act 2010 and other anti-corruption laws and regulations. The FCPA and the U.K. Bribery Act 2010 prohibit us and our officers, directors, employees and business partners acting on our behalf, including agents, from corruptly offering, promising, authorizing or providing anything of value to a “foreign official” for the purposes of influencing official decisions or obtaining or retaining business or otherwise obtaining favorable treatment. The FCPA also requires companies to make and keep books, records and accounts that accurately reflect transactions and dispositions of assets and to maintain a system of adequate internal accounting controls. The U.K. Bribery Act also prohibits non-governmental “commercial” bribery and soliciting or accepting bribes. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation. Our policies and procedures designed to ensure compliance with these regulations may not be sufficient and our directors, officers, employees, representatives, consultants, agents and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. In addition, changes in economic sanctions laws in the future could adversely impact our business and investments in our Common Stock.

***Our insurance coverage may not be adequate to protect us from all business risks.***

We may be subject, in the ordinary course of business, to losses resulting from products liability, accidents, acts of God and other claims against us, for which we may have no insurance coverage. As a general matter, the policies that we do have may include significant deductibles or self-insured retentions, and we cannot be certain that our insurance coverage will be sufficient to cover all future losses or claims against us. A loss that is uninsured or which exceeds policy limits may require us to pay substantial amounts, which could adversely affect our financial condition and operating results.

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

None.

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**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits.**

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed or furnished with this Quarterly Report on Form 10-Q, in each case as indicated therein:

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Schedule/Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Amended and Restated Certificate of Incorporation</a>	8-K	001-39753	3.1	July 19, 2021	
3.2	<a href="#">Amended and Restated Bylaws</a>	8-K	001-39753	3.2	July 19, 2021	
31.1	<a href="#">Certification of Chief Executive Officer (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.</a>					X
31.2	<a href="#">Certification of Chief Financial Officer and Treasurer (Principal Financial and Accounting 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.</a>					X
32.1*	<a href="#">Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					
32.2*	<a href="#">Certification of Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>					
101.INS	Inline XBRL Instance Document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101)					

\* The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and are not filed with the SEC for purposes of the Exchange Act nor shall they be deemed incorporated by reference into any filing of Enovix Corporation under the Exchange Act or the Securities Act whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

**SIGNATURE**

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

Dated: November 3, 2022

Enovix Corporation

By: /s/ Harrold Rust  
Harrold Rust  
President and Chief Executive Officer  
*(Principal Executive Officer)*

By: /s/ Steffen Pietzke  
Steffen Pietzke  
Chief Financial Officer  
*(Principal Financial Officer and Principal Accounting Officer)*