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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from __________ to __________

Commission file number 001-39598

XOS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**98-1550505**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3550 Tyburn Street **Los Angeles , CA**	**90065**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(818) 316-1890**

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, $0.0001 par value per share	XOS	The Nasdaq Capital Market
Warrants, every thirty warrants exercisable for one share of Common Stock at an exercise price of $345.00 per share	XOSWW	The Nasdaq Capital 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

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

The registrant had outstanding 7,873,364 shares of Common Stock, $0.0001 par value as of May 10, 2024.

TABLE OF CONTENTS

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Report"), including, without limitation, statements under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations," 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"). We have based these forward-looking statements on our current expectations and projections about future events. All statements, other than statements of present or historical fact included in this Report are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intends," "may," "might," "plan," "possible," "potential," "predict," "project," "should," "will," "would" or the negative of such terms or other similar expressions. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. We caution you that these forward-looking statements are subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond our control.

As a result of a number of known and unknown risks and uncertainties, our actual results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- the effect of the transaction with ElectraMeccanica Vehicles Corp., initially announced on January 11, 2024 and consummated on March 26, 2024, on our business relationships, operating results and business generally;
- our ability to successfully commercialize our Fleet-as-a-Service offering to customers over time;
- delays in the design, manufacturing and wide-spread deployment of our products;
- our ability to grow market share in our existing markets or any new markets we may enter;
- our ability to successfully complete strategic relationships and alliances with third parties or acquisitions in the future;
- changes in domestic and foreign business, market, financial, political and legal conditions;
- changes in applicable laws or regulations;
- the outcome of any legal proceedings against us;
- our financial and business performance, including financial projections and business metrics and any underlying assumptions thereunder;
- changes in our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects and plans;
- our ability to maintain an effective system of internal controls over financial reporting, including our ability to remediate the existing material weaknesses in our internal controls;
- our ability to manage our growth effectively;
- our ability to achieve and maintain profitability in the future;
- our ability to access sources of capital, including debt financing and other sources of capital to finance operations and growth;
- our ability to maintain and enhance our products and brand, and to attract customers;
- our ability to execute our business model, including market acceptance of our planned products and services and achieving sufficient production volumes at acceptable quality levels and prices;
- our ability to source certain of our critical inventory items, including battery cells, semiconductor chips and vehicle bodies and aluminum;

- our ability to successfully manage supply shortages and disruptions, product delivery delays, and anticipate costs and production timing in light of those challenges;
- our ability to scale in a cost-effective manner, including hiring qualified personnel, particularly during hiring difficulties, to meet our manufacturing and delivery goals;
- developments and projections relating to our competitors and industry;
- global general economic and political conditions, recessions, interest rates, inflation, uncertain credit and global financial markets, including recent and potential bank failures, health crises, supply chain disruption, fuel prices, international currency fluctuations, and geopolitical events, such as local and national elections, corruption, political instability and acts of war or military conflict, including repercussions of the military conflicts between Russia and Ukraine and in Israel, or terrorism on our business and the actions we may take in response thereto;
- our expectations regarding our ability to obtain and maintain intellectual property protection and not infringe on the rights of others;
- expectations regarding the time during which we will be an emerging growth company under the Jumpstart Our Business Startups Act of 2012, as amended;
- our future capital requirements and sources and uses of cash;
- the outcome of any known and unknown litigation and regulatory proceedings; and
- any other risks and uncertainties set forth in this Report in the section entitled " Risk Factors".

A discussion of these and other factors affecting our business and prospects is set forth in Part II, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the Securities and Exchange Commission (the "SEC") on March 29, 2024 (the "2023 Form 10-K"). We encourage investors to review these risk factors.

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore such statements included in this Report may not prove to be accurate. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that the results or conditions described in such statements or our objectives and plans will be achieved.

Forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this Report, and we expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained herein to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based, except to the extent otherwise required by law.

Part I - Financial Information

Glossary of Terms

Unless otherwise stated in this Report or the context otherwise requires, reference to:

- "*Business Combination*" means the Domestication, the Merger and the other transactions contemplated by the Merger Agreement, collectively;
- "*Class 5 to 8 Vehicles*" means medium and heavy duty trucks that typically travel on predictable routes and cover less than 200 miles per day;
- "*Closing*" means the closing of the Business Combination;
- "*Closing Date*" means August 20, 2021;
- "*Common Stock*" means the shares of common stock, par value $0.0001 per share, of Xos;

- "*Domestication*" means the transfer by way of continuation and deregistration of NextGen from the Cayman Islands and the continuation and domestication of NextGen as a corporation incorporated in the State of Delaware;
- "*Fleet-as-a-Service*" means our comprehensive suite of products and services facilitating commercial battery-electric fleet operations through a combination of in-house proprietary technology and turnkey solutions from industry-leading partners. The platform offering includes our X-Pack battery system, X-Platform modular chassis, Xos Energy Solutions, service, digital fleet management products, over-the-air software update technology, and a wide range of additional service products;
- "*Xos Energy Solutions*" means our comprehensive charging infrastructure business through which we offer mobile and stationary multi-application chargers, mobile energy storage and turnkey energy infrastructure services to accelerate client transitions to electric fleets.
- *"Legacy Xos Common Stock"* means shares of common stock, par value $0.0001 per share, issued by Legacy Xos prior to the Business Combination;
- *"Legacy Xos Preferred Stock"* means Class A through A-10 shares of preferred stock, par value $0.0001 per share, issued by Legacy Xos prior to the Business Combination;
- "*Legacy Xos*" means Xos, Inc., a Delaware corporation, prior to the consummation of the Business Combination;
- "*Merger*" means the merger of NextGen Merger Sub with and into Legacy Xos pursuant to the Merger Agreement, with Legacy Xos as the surviving company in the Merger and, after giving effect to such Merger, Legacy Xos becoming a wholly owned subsidiary of Xos;
- "*Merger Agreement*" means that certain Merger Agreement, dated as of February 21, 2021, as amended on May 14, 2021, by and among NextGen, Sky Merger Sub I, Inc., a Delaware corporation and direct wholly owned subsidiary of NextGen, and Legacy Xos;
- "*NextGen*" means NextGen Acquisition Corp., a Cayman Islands exempted company, prior to the consummation of the Domestication;
- "*NextGen Sponsor*" means NextGen Sponsor LLC;
- "*Powertrain*" means an assembly of every component that pushes a vehicle forward. A vehicle's powertrain creates power from the engine and delivers it to the wheels on the ground. The key components of a powertrain include an engine, transmission, driveshaft, axles, and differential;
- "*Preferred Stock*" means preferred stock, par value $0.0001 per share, authorized under the Certificate of Incorporation of Xos, Inc.;
- "*Private Placement Warrants*" means the warrants to purchase Common Stock originally issued in a private placement in connection with the initial public offering of NextGen;
- "*Public Warrants*" means the redeemable warrants to purchase shares of Common Stock at an exercise price of $345 per share originally issued in connection with the Initial Public Offering;
- "*Sponsor*" means NextGen's sponsor, NextGen Sponsor LLC;
- "*Warrants*" means Private Placement Warrants and Public Warrants;
- "*X-Pack*" means our proprietary battery system;
- "*X-Platform*" means our proprietary, purpose-built vehicle chassis platform; and
- *"Xosphere*" means our proprietary fleet management platform.

Item 1. Financial Statements

Index to Unaudited Condensed Consolidated Financial Statements

Xos, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
Unaudited
(in thousands, except par value)

	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	$ 46,168	$ 11,640
Restricted cash	1,115	—
Accounts receivable, net	20,320	15,142
Inventories	36,621	37,843
Prepaid expenses and other current assets	8,577	7,070
Total current assets	112,801	71,695
Property and equipment, net	13,638	14,660
Operating lease right-of-use assets, net	4,587	4,991
Other non-current assets	3,954	2,338
Total assets	**$ 134,980**	**$ 93,684**
Liabilities and Stockholders' Equity		
Accounts payable	$ 2,272	$ 2,756
Other current liabilities	20,033	16,817
Total current liabilities	22,305	19,573
Convertible debt, non-current	19,932	19,920
Earn-out shares liability	42	39
Common stock warrant liability	563	395
Other non-current liabilities	24,332	8,561
Total liabilities	67,174	48,488
Commitments and contingencies (Note 13)		
Stockholders' Equity		
Common Stock $ 0.0001 par value, authorized 1,000,000 shares, 7,750 and 5,941 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	1	1
Preferred Stock $ 0.0001 par value, authorized 10,000 shares, 0 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	—	—
Additional paid-in capital	232,069	198,456
Accumulated deficit	(164,264)	(153,261)
Total stockholders' equity	67,806	45,196
Total liabilities and stockholders' equity	**$ 134,980**	**$ 93,684**

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

Xos, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Loss
Unaudited
(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2024	**2023**
Revenues	$ 13,162	$ 4,697
Cost of goods sold	10,374	5,574
Gross profit (loss)	2,788	(877)
Operating expenses		
General and administrative	8,959	11,599
Research and development	3,074	5,749
Sales and marketing	998	1,804
Total operating expenses	13,031	19,152
Loss from operations	(10,243)	(20,029)
Other expense, net	(584)	(4,151)
Change in fair value of derivative instruments	(168)	(97)
Change in fair value of earn-out shares liability	(3)	(52)
Loss before provision for income taxes	**(10,998)**	**(24,329)**
Provision for income taxes	5	2
Net loss	**$ (11,003)**	**$ (24,331)**
Other comprehensive loss		
Marketable debt securities, available-for-sale		
Change in net unrealized gain, net of tax of $ 0 , for the three months ended March 31, 2024 and 2023	—	402
Total comprehensive loss	**$ (11,003)**	**$ (23,929)**
Net loss per share [1]		
Basic	**$ (1.80)**	**$ (4.32)**
Diluted	**$ (1.80)**	**$ (4.32)**
Weighted average shares outstanding [1]		
Basic	**6,108**	**5,628**
Diluted	**6,108**	**5,628**

[1] Shares for the three months ended March 31, 2023 have been retrospectively adjusted for the 1-for-30 reverse stock split that occurred on December 6, 2023.

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

Table of Contents

Xos, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
Unaudited
(in thousands)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares [1]	Par Value				
Balance at December 31, 2022	**5,627**	**$ 1**	**$ 190,231**	**$ (77,418)**	**$ (739)**	**$ 112,075**
Stock based compensation expense	—	—	1,987	—	—	1,987
Issuance of common stock for vesting of restricted stock units	53	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	(19)	—	(382)	—	—	(382)
Net and comprehensive income (loss)	—	—	—	(24,331)	402	(23,929)
Balance at March 31, 2023	**5,661**	**$ 1**	**$ 191,836**	**$ (101,749)**	**$ (337)**	**$ 89,751**

[1] Shares have been retrospectively adjusted for the 1-for-30 reverse stock split that occurred on December 6, 2023.

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
Balance at December 31, 2023	**5,941**	**$ 1**	**$ 198,456**	**$ (153,261)**	**$ —**	**$ 45,196**
Stock options exercised	21	—	—	—	—	—
Stock based compensation expense	—	—	1,968	—	—	1,968
Issuance of common stock for vesting of restricted stock units	30	—	—	—	—	—
Shares withheld related to net share settlement of stock-based awards	(14)	—	(258)	—	—	(258)
Issuance of common stock for ElectraMeccanica acquisition	1,766	—	31,856	—	—	31,856
Issuance of common stock for commitment shares under the Standby Equity Purchase Agreement	6	—	47	—	—	47
Net and comprehensive loss	—	—	—	(11,003)	—	(11,003)
Balance at March 31, 2024	**7,750**	**$ 1**	**$ 232,069**	**$ (164,264)**	**$ —**	**$ 67,806**

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

Xos, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Unaudited
(in thousands, unaudited)

	Three Months Ended March 31,	
	2024	**2023**
OPERATING ACTIVITIES:		
Net loss	$ (11,003)	$ (24,331)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	913	1,000
Amortization of right-of-use assets	404	383
Amortization of debt discounts and issuance costs	12	1,798
Amortization of insurance premiums	725	1,218
Inventory reserve	(803)	(471)
Impairment of assets held for sale	—	1,039
Change in fair value of derivative instruments	168	97
Change in fair value of earn-out shares liability	3	52
Net realized losses on marketable debt securities, available-for-sale	—	91
Stock-based compensation expense	2,006	2,012
Other non-cash items	430	(475)
Changes in operating assets and liabilities:		
Accounts receivable	(5,198)	1,268
Inventories	2,110	1,064
Prepaid expenses and other current assets	(1,104)	(1,791)
Other assets	120	(222)
Accounts payable	(1,272)	635
Other liabilities	(2,100)	1,307
Net cash used in operating activities	**(14,589)**	**(15,326)**
INVESTING ACTIVITIES:		
Purchase of property and equipment	(30)	(253)
Proceeds from sales and maturities of marketable debt securities, available-for-sale	—	23,065
Net cash acquired in acquisition of ElectraMeccanica Vehicles Corp.	51,355	—
Net cash provided by investing activities	**51,325**	**22,812**
FINANCING ACTIVITIES:		
Principal payment of equipment leases	(569)	(600)
Proceeds from short-term insurance financing note	451	2,187
Payment for short-term insurance financing note	(764)	(1,427)
Payments of convertible notes and prepayment premiums	—	(9,450)
Taxes paid related to net share settlement of stock-based awards	(258)	(382)
Proceeds from issuance of common stock under Standby Equity Purchase Agreement	47	—
Net cash used in financing activities	**(1,093)**	**(9,672)**
Net increase (decrease) in cash, cash equivalents and restricted cash	**35,643**	**(2,186)**
Cash, cash equivalents and restricted cash, beginning of period	11,640	38,675
Cash, cash equivalents and restricted cash, end of period	**$ 47,283**	**$ 36,489**

Reconciliation of Cash, Cash Equivalents and Restricted Cash to Unaudited Condensed Consolidated Balance Sheets:		
Cash and cash equivalents	$ 46,168	$ 36,489
Restricted cash	1,115	—
Total cash, cash equivalents and restricted cash	**$ 47,283**	**$ 36,489**
Supplemental disclosure of cash flow information		
Cash paid for interest	$ —	$ 980
Cash paid for income taxes	$ 16	$ —
Supplemental disclosure of non-cash investing and financing activities		
Purchase of property and equipment in accounts payable	$ (16)	$ 2
Net assets acquired in acquisition of ElectraMeccanica Vehicles Corp.	$ 54,630	—
Xos common stock issued in exchange for ElectraMeccanica Vehicles Corp.	$ (31,856)	—

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

Xos, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Unaudited

Note 1 — Description of Business

Xos, Inc. and its wholly owned subsidiaries (collectively, the “Company” or “Xos”) is a leading fleet electrification solutions provider committed to the decarbonization of commercial transportation. Xos designs and manufactures Class 5-8 battery-electric commercial vehicles that travel on last-mile, back-to-base routes of up to 200 miles per day. Xos also offers charging infrastructure products and services through Xos Energy Solutions™ to support electric vehicle fleets. The Company’s proprietary fleet management software, Xosphere™, integrates vehicle operation and vehicle charging to provide commercial fleet operators a more seamless and cost-efficient vehicle ownership experience than traditional internal combustion engine counterparts. Xos developed the X-Platform (its proprietary, purpose-built vehicle chassis platform) and the X-Pack (its proprietary battery system) specifically for the medium- and heavy-duty commercial vehicle segment with a focus on last-mile commercial fleet operations. Xos’ “Fleet-as-a-Service” package offers customers a comprehensive suite of commercial products and services to facilitate electric fleet operations and seamlessly transition their traditional combustion-engine fleets to battery-electric vehicles.

Business Combination

Xos, Inc. was initially incorporated on July 29, 2020 as a Cayman Islands exempted company under the name “NextGen Acquisition Corporation” (“NextGen”). On August 20, 2021, the transactions contemplated by the Agreement and Plan of Merger, as amended on May 14, 2021, by and among NextGen, Sky Merger Sub I, Inc., a Delaware corporation and a direct wholly owned subsidiary of NextGen (“Merger Sub”), and Xos, Inc., a Delaware corporation (now known as Xos Fleet, Inc., “Legacy Xos”), were consummated (the “Closing”), whereby Merger Sub merged with and into Legacy Xos, the separate corporate existence of Merger Sub ceased and Legacy Xos became the surviving corporation and a wholly owned subsidiary of NextGen (such transaction the “Merger” and, collectively with the Domestication, the “Business Combination”), and Xos became the publicly traded entity listed on Nasdaq.

ElectraMeccanica Acquisition

On January 11, 2024, the Company and ElectraMeccanica Vehicles Corp. (“ElectraMeccanica”) entered into an arrangement agreement, as amended on January 31, 2024 (the “Arrangement Agreement”), pursuant to which the Company acquired all of the issued and outstanding common shares of ElectraMeccanica pursuant to a plan of arrangement (the “Plan of Arrangement”) under the Business Corporations Act (British Columbia) (the “Arrangement”).

Subject to the terms and conditions set forth in the Arrangement Agreement and the Plan of Arrangement, each ElectraMeccanica Share outstanding immediately prior to the effective time of the Arrangement (other than the shares held by ElectraMeccanica shareholders who have exercised rights of dissent in respect of the Arrangement) would be transferred to the Company in exchange for such number of shares of the Company’s Common Stock, as provided for in the Arrangement Agreement.

The Arrangement was consummated on March 26, 2024. Subject to the terms and conditions set forth in the Arrangement Agreement and the Plan of Arrangement, on March 26, 2024, each ElectraMeccanica Share outstanding immediately prior to the effective time of the Arrangement was converted automatically into the right to receive 0.0143739 of a share of the Company’s Common Stock, for total consideration of 1,766,388 shares of Common Stock. The Company’s liquidity will be supplemented by accessing ElectraMeccanica's cash balance, which was approximately $ 50.2 million (excluding severance related costs paid at closing) as of the effective date of the Arrangement.

Risks and Uncertainties

In recent years, the United States and other significant markets have experienced cyclical downturns and worldwide economic conditions remain uncertain. Global general economic and political conditions, such as recession, inflation, uncertain credit and global financial markets, including recent and potential bank failures, health crises, supply chain disruption, fuel prices, international currency fluctuations, and geopolitical events such as local and national elections, corruption, political instability and acts of war or military conflict including repercussions of the wars between Russia and Ukraine and in Israel, or terrorism, make it difficult for our customers and us to accurately forecast and plan future business activities, and could cause our customers to slow spending on our products and services or impact their ability to make timely payments. A weak or declining economy could also strain our suppliers, possibly resulting in supply disruption. In addition, there is a risk that our current or future suppliers, service providers, manufacturers or other partners may not survive such difficult economic times, which would directly affect our ability to attain our operating goals on schedule and on budget. The ultimate impact of current economic conditions on the Company is uncertain, but it may have a material negative impact on the Company's business, operating results, cash flows, liquidity and financial condition.

Additionally, ongoing geopolitical events, such as the military conflicts between Russia and Ukraine and in Israel and related sanctions, may increase the severity of supply chain disruptions and further hinder our ability to source inventory for our vehicles. The conflict continues to evolve and its ultimate impact on the Company is uncertain, but a prolonged conflict may have a material negative impact on the Company's business, operating results, cash flows, liquidity and financial condition.

Although the Company has used the best current information available to it in its estimates, actual results could materially differ from the estimates and assumptions developed by management.

Liquidity

As an early stage growth company, the Company has incurred net losses and cash outflows since its inception. The Company will continue to incur net losses and cash outflows in accordance with its operating plan as the Company continues to scale its operations to meet anticipated demand and establish its Fleet-as-a-Service offering. As a result, the Company's ability to access capital is critical and until the Company can generate sufficient revenue to cover its operating expenses, working capital and capital expenditures, the Company will need to raise additional capital in order to fund and scale its operations. The Company may raise additional capital through a combination of debt financing, other non-dilutive financing and/or equity financing, including through asset-based lending and/or receivable financing. The Company's ability to raise or access capital when needed is not assured and, if capital is not available to the Company when, and in the amounts, needed, the Company could be required to delay, scale back or abandon some or all of its development programs and other operations, which could materially harm its business, prospects, financial condition and operating results. Global general economic conditions continue to be unpredictable and challenging in many sectors, with disruptions to, and volatility in, the credit and financial markets in the United States and worldwide resulting from the effects of potential recessions, rising inflation rates, including potential bank failures, supply chain disruption, fuel prices, international currency fluctuations, and geopolitical events such as local and national elections, corruption, political instability and acts of war or military conflict including repercussions of the wars between Russia and Ukraine and in Israel, or terrorism.

As of March 31, 2024, the Company's principal sources of liquidity were its cash and cash equivalents aggregating to $ 46.2 million. Cash and cash equivalents as of March 31, 2024 reflects the consummation of the Arrangement with ElectraMeccanica on March 26, 2024. The Company's short- and long-term uses of cash are for working capital and to pay interest and principal on its debt. The Company has incurred losses since inception and had negative cash flow from operating activities of $ 14.6 million and $ 15.3 million for the three months ended March 31, 2024 and March 31, 2023, respectively, and $ 39.3 million for the year ended December 31, 2023.

As an early-stage growth company, the Company's ability to access capital is critical. The Company has secured and intends to employ various strategies to obtain the required funding for future operations such as continuing to access capital through the Yorkville SEPA (defined below in Note 9 - Equity) and other capital raising strategies such as debt financing, other non-dilutive financing and/or equity financing, including through asset-based lending and/or receivable financing. The consolidated financial information does not include any adjustments that might result from the outcome of this uncertainty. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

In response to these conditions, the Company is currently evaluating different strategies to obtain the required funding for future operations. The Company has plans to secure and intend to employ various strategies to raise additional capital, such as through the SEPA and other capital raising strategies such as a combination of debt financing, other non-dilutive financing and/or equity financing, including through asset-based lending and/or receivable financing. However, the ability to access the SEPA is dependent on trading volumes and the market price of Xos' Common Stock. Furthermore, the Company's access to capital under the SEPA is not available as of the date of this filing and will not be available until the Company files with the SEC a post-effective amendment to the Registration Statement on Form S-1 filed on July 27, 2023. Additionally, collection on the Company's outstanding accounts receivable will provide additional source of liquidity.

Based on the Company's ability to raise funds through the strategies described above, the consummation of the Arrangement with ElectraMeccanica and Xos' cash and cash equivalents as of March 31, 2024, the Company has concluded that it is probable that such proceeds would provide sufficient liquidity to complete the integration of ElectraMeccanica and fund operations for the next twelve months following the date of this Report. As a result, it is probable that Xos' plans alleviate the substantial doubt about the Company's ability to continue as a going concern for at least one year from the issuance of the condensed consolidated interim financial statements.

Supply Chain Disruptions

While the Company's ability to source certain critical inventory items has been steadily improving since prior years, it is still experiencing long-standing negative effects from global economic conditions, and expects such effects to continue in varying degrees for the foreseeable future. The Company has also observed, and expects to be impacted by, sporadic and unpredictable shortages for specific components, primarily in power electronics and harnesses, and disruptions to the supply of components. Fluctuating fuel prices and geopolitical conflicts have compounded ongoing supply and demand pressures for shipping, resulting in port congestion, higher freight fees and longer transit times.

Despite these disruptions, the Company's supply chain team continues to employ mitigating strategies to effectively source inventory for its vehicles. The team has continued working with vendors to find alternative solutions to overcome these constraints and, where appropriate, working to find alternate sources of supply for critical components, including placing orders in advance of projected need to ensure availability of materials in time to meet growing production plans.

Note 2 — Basis of Presentation, Summary of Significant Accounting Policies and Recent Accounting Pronouncements

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying unaudited condensed consolidated financial statements:

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information. They do not include all of the information and footnotes required by U.S. GAAP for complete audited financial statements. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, all adjustments (primarily consisting of normal accruals) considered for a fair presentation have been included. Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the years ended December 31, 2023 and 2022 presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 29, 2024.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as reported amounts of revenues and expenses during the reporting periods. The areas with significant estimates and judgments include, among others, inventory valuation, incremental borrowing rates for assessing operating and financing lease liabilities, useful lives of property and equipment, stock-based compensation, product warranty liability, and valuation of convertible debt and related embedded derivatives, common stock warrant liability and earn-out shares liability. Management bases its estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to the Company's financial statements.

Accounts Receivable, Net

The Company records unsecured and non-interest bearing accounts receivable at the gross invoice amount, net of any allowance for expected credit losses. The Company maintains its allowance for expected credit losses at a level considered adequate to provide for potential account losses on the balance based on management's evaluation of past losses, current customer conditions, and the anticipated impact of current economic conditions. The Company recorded an allowance for expected credit losses of $ 82,000 and $ 62,000 as of March 31, 2024 and December 31, 2023 , respectively.

Warranty Liability

The Company provides customers with a product warranty that assures that the products meet standard specifications and are free for periods typically between 2 to 5 years. The Company accrues warranty reserve for the products sold, which includes its best estimate of the projected costs to repair or replace items under warranties and recalls if identified. These estimates are based on actual claims incurred to date and an estimate of the nature, frequency and costs of future claims. These estimates are inherently uncertain given the Company's relatively short history of sales, and changes to its historical or projected warranty experience may cause material changes to the warranty reserve in the future. Claims incurred under the Company's standard product warranty programs are recorded based on open claims. The Company recorded warranty liability within other current liabilities in the consolidated balance sheets as of March 31, 2024 and December 31, 2023.

The reconciliation of the change in the Company's product liability balances during the three months ended March 31, 2024 and 2023 consisted of the following *(in thousands)*:

	Three Months Ended March 31,	
	2024	**2023**
Warranty liability, beginning of period	$ 1,306	$ 1,099
Reduction in liability (payments)	(522)	(216)
Increase in liability	415	272
Warranty liability, end of period	**$ 1,199**	**$ 1,155**

Concentrations of Credit and Business Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which, at times, may exceed the Federal Depository Insurance Corporation coverage limit of $250,000. As of March 31, 2024 and 2023, the Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

During the three months ended March 31, 2024, one customer accounted for 52 % of the Company's revenues. During the three months ended March 31, 2023, one customer accounted for 82 % of the Company's revenues. As of March 31, 2024, two customers accounted for 36 % and 10 % of the Company's accounts receivable. As of December 31, 2023, one customer accounted for 52 % of the Company's accounts receivable.

Concentration of Supply Risk

The Company is dependent on its suppliers, the majority of which are single-source suppliers, and the inability of these suppliers to deliver necessary components of its products according to the schedule and at prices, quality levels and volumes acceptable to the Company, or its inability to efficiently manage these components, could have a material adverse effect on the Company's results of operations and financial condition.

Defined Contribution Plan

We have a 401(k) savings plan that is intended to qualify as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) savings plan, participating employees are auto enrolled to 3 % of their eligible compensation, subject to certain limitations. We did no t make any contributions to the 401(k) savings plan during the three months ended March 31, 2024 and 2023.

Recent Accounting Pronouncements Issued and not yet Adopted:

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which requires incremental segment information disclosure on an annual and interim basis. This amendment includes disclosure of significant segment expenses which are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss; other segment items by reportable segment and a description of its composition; reportable segment's profit or loss and assets; additional measures of segment profit or loss if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance, and the title and position of the entity's CODM and how the CODM uses the reported measures of segment profit or loss in assessing segment performance and determining resource allocation. The Company with a single reportable segment is required to provide all the disclosures from this amendment. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and should be applied retrospectively. The Company is evaluating the impact of this amendment to the related financial statement disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires incremental annual income tax disclosures. This amendment includes disclosures of specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold; income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes, and also disaggregated by individual jurisdictions that meet a quantitative threshold; income (or loss) from continuing operations before income tax expenses (or benefit) disaggregated between domestic and foreign; and income tax expense (or benefit) from continuing operations disaggregated by federal, state and foreign. The guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted and should be applied prospectively (with retrospective application permitted). The Company is evaluating the impact of this amendment to the related financial statement disclosures.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its consolidated financial statements or notes thereto.

Note 3 — Revenue Recognition

Disaggregated revenues by major source for the three months ended March 31, 2024 and 2023 consisted of the following (*in thousands*):

	Three Months Ended March 31,	
	2024	**2023**
Product and service revenue		
Stepvans & vehicle incentives [(1)]	$ 11,585	$ 4,262
Powertrains	422	5
Fleet-as-a-Service	628	166
Total product revenue	12,635	4,433
Ancillary revenue	527	264
Total revenues	$ 13,162	$ 4,697

[(1)] Amounts are net of returns and allowances. Stepvans & vehicle incentives includes revenue generated from leasing.

Note 4 — Acquisition of ElectraMeccanica

On March 26, 2024, Xos completed the acquisition of all of the issued and outstanding common shares of ElectraMeccanica, in exchange for the issuance of 1,766,388 Xos common stock with par value of $ 0.0001 . The transfer of common shares resulted in approximately 79 % and 21 % ownership of Xos by Xos stockholders and ElectraMeccanica shareholders, respectively. The Company accounted for the acquisition of ElectraMeccanica as an asset acquisition in accordance with Accounting Standards Codification Topic 805-50, *Acquisition of Assets Rather than a Business*, because the acquired set of assets and activities does not include a substantive process. Therefore, the acquired set of assets and activities does not meet the definition of a business. This determination was made with key judgments including the following:

- ElectraMeccanica has discontinued, recalled, and repurchased all previously sold three-wheeled electric vehicles (the “SOLO”), because of a loss of propulsion issue that resulted in the vehicles being under a “do not drive” order from the National Highway Traffic Safety Association. All in-process research and development (“IPR&D”) projects to commercialize the SOLO or a new four-wheeled electric (the “E4”) have been terminated by ElectraMecannica. The IPR&D related to SOLO and E4 has nominal value and require significant time, cost, and engineering efforts to commercialize.

- The majority of the assembled workforce is performing administrative tasks or working on the destruction of the remaining inventory and closing of leased facilities. The acquired assembled workforce does not contain sufficient engineers with the knowledge and skill set to commercialize ElectraMeccanica’s terminated IPR&D projects.

Accordingly, the purchase consideration provided by Xos to effect the acquisition has been allocated to the acquired assets and assumed liabilities based upon their relative fair values. The following table summarizes the acquisition of ElectraMeccanica on March 26, 2024:

Purchase consideration [1]	**$**	**(35,588)**
Assets acquired		
Cash and cash equivalents	$	50,240
Restricted cash		1,115
Prepaid expenses and other current assets		1,539
Other non-current assets		1,736
Total identifiable assets acquired	$	54,630
Liabilities assumed		
Accounts payable	$	(804)
Other current liabilities [2]		(1,903)
Other non-current liabilities [2]		(16,335)
Total liabilities assumed	$	(19,042)
Net assets acquired and liabilities assumed	**$**	**35,588**

[1] As a result of the asset acquisition accounting, the transaction costs associated with the acquisition of $ 3.7 million are included in the costs of the assets acquired and allocated amongst qualifying assets using the relative fair value basis. The transaction costs primarily included financial advisor fees, accounting, and legal expenses.
[2] The Company assumed two lease facilities in connection with the ElectraMeccanica acquisition which are reflected in other current liabilities and other non-current liabilities of approximately $ 1.2 million and $ 16.0 million, respectively.

The Company recognized $ 2.0 million of severance related expenses in general and administrative expense in its condensed consolidated statements of operations and comprehensive loss during the three months ended March 31, 2024.

Note 5 — Inventories

Inventory amounted to $ 36.6 million and $ 37.8 million, respectively, as of March 31, 2024 and December 31, 2023 and consisted of the following *(in thousands)*:

	March 31, 2024	December 31, 2023
Raw materials	$ 29,498	$ 30,357
Work in process	4,169	3,033
Finished goods	2,954	4,453
Total inventories	**$ 36,621**	**$ 37,843**

Inventories as of March 31, 2024 and December 31, 2023 were comprised of raw materials, work in process related to the production of vehicles for sale and finished goods inventory including vehicles in transit to fulfill customer orders, new vehicles, new vehicles awaiting final pre-delivery quality review inspection, and Energy Services products available for sale.

Note 6 — Selected Balance Sheet Data

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of March 31, 2024 and December 31, 2023 consisted of the following (*in thousands*):

	March 31, 2024	December 31, 2023
Prepaid inventories	$ 2,473	$ 1,745
Prepaid expenses and other (1)	4,328	2,796
Contract assets	400	811
Financed insurance premiums	968	1,310
Assets held for sale	408	408
Total prepaid expenses and other current assets	**$ 8,577**	**$ 7,070**

(1) Primarily relates to assets acquired in connection with the ElectraMeccanica acquisition, prepaid licenses and subscriptions, prepaid insurance and other receivables.

Xos, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Unaudited

Other Current Liabilities

Other current liabilities as of March 31, 2024 and December 31, 2023 consisted of the following *(in thousands)*:

	March 31, 2024	December 31, 2023
Accrued expenses and other [1]	$ 10,428	$ 7,435
Contract liabilities	332	690
Customer deposits	2,113	2,364
Warranty liability	1,199	1,306
Equipment notes payable, current	363	350
Short-term insurance financing notes	690	1,003
Operating lease liabilities, current	2,862	1,664
Finance lease liabilities, current	2,046	2,005
Total	**$ 20,033**	**$ 16,817**

[1] Primarily relates to the liabilities assumed in connection with the ElectraMeccanica acquisition, accrued inventory purchases, personnel costs, wages, health benefits, vacation and other accruals.

Revenue recognized from the customer deposits balance for the three months ended March 31, 2024 and 2023 was $ 0.3 million and $ 0.2 million, respectively. Revenue recognized for the year ended December 31, 2023 from the customer deposits balance as of December 31, 2022 was $ 0.4 million.

Other Non-Current Liabilities

Other non-current liabilities as of March 31, 2024 and December 31, 2023 consisted of the following (*in thousands*):

	March 31, 2024	December 31, 2023
Accrued interest expense and other	$ 3,777	$ 2,985
Equipment notes payable, non-current	497	593
Operating lease liabilities, non-current	19,113	3,511
Finance lease liabilities, non-current	945	1,472
Total other non-current liabilities	**$ 24,332**	**$ 8,561**

Note 7 — Earn-out Shares Liability

The Company has a contingent obligation to issue 540,000 shares (the “Earn-out Shares”) of Common Stock and grant 8,700 restricted stock units (“Earn-out RSUs”) to certain stockholders and employees upon the achievement of certain market share price milestones within specified periods following the Business Combination on August 20, 2021.

As adjusted for Xos’ 1-for-30 reverse stock split that occurred on December 6, 2023, the Earn-out Shares will be issued in tranches based on the following conditions:

i. If the volume-weighted average closing share price ("VWAP") of the Common Stock equals or exceeds $ 420.00 per share for any 10 trading days within any consecutive 20 -trading day period between the merger closing date and the five year anniversary of such closing date ("Earn-out Period"), then the Company is required to issue an aggregate of 180,000 shares ("Tranche 1 Earn-out Shares") of Common Stock to holders with the contingent right to receive Earn-out Shares (excluding any Earn-out RSUs). If after Closing and during the Earn-out Period, there is a Change in Control (as defined in the Merger Agreement), the Company is required to issue Tranche 1 Earn-out Shares when the value per share of the Company is equal to or greater than $ 420.00 per share, but less than $ 600.00 . If there is a change in control where the value per share of common stock is less than $ 420.00 , then the Earn-out Shares shall terminate prior to the end of the Earn-out Period and no common stock shall be issuable.

ii. If the VWAP of the Common Stock equals or exceeds $ 600.00 per share for any 10 trading days within any consecutive 20 -trading day period during the Earn-out Period, then the Company is required to issue an aggregate of 180,000 shares ("Tranche 2 Earn-out Shares") of Common Stock to holders with the contingent right to receive Earn-out Shares (excluding any Earn-out RSUs). If after Closing and during the Earn-out Period, there is a Change in Control (as defined in the Merger Agreement), the Company is required to issue Tranche 2 Earn-out Shares when the value per share of the Company is equal to or greater than $ 600.00 per share, but less than $ 750.00 .

iii. If the VWAP of the Common Stock equals or exceeds $ 750.00 per share for any 10 trading days within any consecutive 20 -trading day period during the Earn-out Period, then the Company is required to issue an aggregate of 180,000 shares ("Tranche 3 Earn-out Shares") of Common Stock to holders with the contingent right to receive Earn-out Shares (excluding any Earn-out RSUs). If after Closing and during the Earn-out Period, there is a Change in Control (as defined in the Merger Agreement), the Company is required to issue Tranche 3 Earn-out Shares when the value per share of the Company is equal to or greater than $ 750.00 per share.

Pursuant to the guidance under ASC 815, *Derivatives and Hedging*, the right to Earn-out Shares was classified as a Level 3 fair value measurement liability, and the increase or decrease in the fair value during the reporting period is recognized in the condensed consolidated statement of operations accordingly. The fair value of the Earn-out Shares liability was estimated using the Monte Carlo simulation of the stock prices based on historical and implied market volatility of a peer group of public companies.

As of March 31, 2024 and December 31, 2023, the fair value of the Earn-out Shares liability was estimated to be $ 42,000 and $ 39,000 , respectively. The Company recognized a loss on the change in fair value in Earn-out Shares liability of $ 3,000 and $ 52,000 in its condensed consolidated statements of operations and comprehensive loss during the three months ended March 31, 2024 and 2023, respectively.

The allocated fair value to the Earn-out RSU component, which is covered by ASU 718, *Compensation — Stock Compensation,* is recognized as stock-based compensation expense over the vesting period commencing on the grant date of the award.

Note 8 — Convertible Notes

Convertible Debentures

On August 9, 2022, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") with YA II PN, Ltd. ("Yorkville") for the issuance of convertible debentures, convertible into shares of Common Stock subject to certain conditions and limitations, in the principal amount of up to $ 35 million. Such convertible debentures were amended on June 22, 2023 (as amended, the "Convertible Debentures"). On August 11, 2022, pursuant to the Securities Purchase Agreement, the Company sold and issued a Convertible Debenture to Yorkville in the principal amount of $ 20.0 million. On September 21, 2022, pursuant to the Securities Purchase Agreement, the Company sold and issued an additional Convertible Debenture to Yorkville in the principal amount of $ 15.0 million. Yorkville used commercially reasonable efforts to convert $ 2.0 million during each 30 -day period beginning on September 9, 2022, provided that certain conditions were satisfied as of each such period.

The Convertible Debentures incurred interest at an annual rate of 6 %, payable at maturity. Pursuant to the terms of the Securities Purchase Agreement, in July 2023, the Company elected to extend the maturity date of the Convertible Debentures from November 11, 2023 to February 11, 2024. The interest rate increased to an annual rate of (i) 10 % upon the occurrence and during the continuance of an event of default, and (ii) 7.5 % for so long as any "Registration Event" (as defined in the Convertible Debentures) remained in effect in accordance with the Registration Rights Agreement (described below). The Convertible Debentures provided a conversion right, in which any portion of the principal amount of the debt, together with any accrued but unpaid interest, could be converted into the Common Stock at a conversion price equal to the lower of (i) $ 2.4733 (prior to the reverse stock split described at Note 9 - Equity, below) or (ii) 97 % of the lowest daily volume weighted average price ("VWAP") of the Common Stock during the three consecutive trading days immediately preceding the conversion (but not lower than a certain floor price ("Floor Price") that was subject to further adjustment in accordance with the terms of the Convertible Debentures). The Floor Price at the time of payoff on December 4, 2023 was $ 0.59 .

The Convertible Debentures could not be converted into shares of Common Stock to the extent such conversion would result in Yorkville and its affiliates having beneficial ownership of more than 9.99 % of the then outstanding shares of Common Stock, provided that this limitation could be waived by the investor upon not less than 65 days' prior notice to the Company.

The Convertible Debentures provided the Company, subject to certain conditions, with a redemption right pursuant to which the Company, upon 10 business days' prior notice to Yorkville, could redeem, in whole or in part, any of the outstanding principal and interest thereon at a redemption price equal to (i) the principal amount being redeemed, (ii) all accrued and unpaid interest under the applicable Convertible Debenture, and (iii) a redemption premium of 5 % of the principal amount being redeemed.

The Convertible Debentures included a monthly prepayment provision that was triggered if (i) the daily VWAP of the Company's Common Stock was less than the Floor Price for 5 consecutive trading days or (ii) the Company issued pursuant to the Convertible Debentures in excess of 95 % of the Common Stock available under the Exchange Cap, as defined in the Convertible Debentures. If this provision was triggered, the Company was required to make monthly payments, beginning on the 10 th calendar day after the triggering date, of up to $ 4.0 million of principal (subject to a redemption premium of 5 %) plus accrued and unpaid interest, subject to certain conditions ("Prepayments"). The monthly Prepayment requirement would cease if (i) the Company provided Yorkville a reset notice reducing the Floor Price, limited to no more than 85 % of the closing price on the trading day immediately prior to the notice and not less than $ 0.50 or (ii) the daily VWAP is greater than the Floor Price for 3 consecutive trading days. In the event the monthly Prepayment provision was triggered by the issuance in excess of 95 % of the Common Stock available under the Exchange Cap, the monthly Prepayment requirement would cease on the date the Company obtained stockholder approval to increase the number of shares of Common Stock available under the Exchange Cap and/or the Exchange Cap no longer applied. The monthly Prepayment requirement will cease upon the payment in full of all obligations under the Convertible Debentures.

The Company and Yorkville entered into a registration rights agreement (the "Registration Rights Agreement") pursuant to which the Company is required to file a registration statement registering the resale by Yorkville of any shares of the Company's Common Stock issuable upon conversion of the Convertible Debentures. The Company filed the initial registration statement on September 8, 2022 and received notice of effectiveness on September 19, 2022.

On June 22, 2023, the Company and Yorkville entered into the Side Letter (the "Side Letter") to the Securities Purchase Agreement, pursuant to which the Company and Yorkville agreed, among other things, to remove the restriction on the Company's ability to effect an advance under the SEPA, provided that for so long as any principal and interest remained outstanding under the Convertible Debentures, the Company may only (i) effect an advance under the SEPA if (x) the daily VWAP of the Common Stock is less than the Floor Price for five consecutive trading days, or (y) the Company has issued pursuant to the Convertible Debentures in excess of 95 % of the shares of the Common Stock available under the Exchange Cap and has not been cured in accordance with clause (A), (B), or (C) of Section 2(a) of the Convertible Debentures, and (ii) designate an Option 1 Advance Amount under the SEPA. Pursuant to the Side Letter, the proceeds from any advance shall offset an equal amount outstanding under the Convertible Debentures as an optional redemption. During each calendar month, any portion of such proceeds that would result in the cumulative reduction to the outstanding principal under the Convertible Debentures by more than $ 3.0 million ("Excess Proceeds") shall be split such that 75 % of such Excess Proceeds is paid to the Company pursuant to the terms of the SEPA and 25 % of such Excess Proceeds is applied as an optional redemption on the Convertible Debentures. Each monthly Prepayment amount under the Convertible Debentures shall be reduced by any such proceeds applied as an optional redemption in the 30 days prior to the applicable monthly Prepayment date.

In July 2023, pursuant to the terms of the Securities Purchase Agreement, Xos elected to extend the maturity date of the Convertible Debentures from November 11, 2023 to February 11, 2024.

Xos, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Unaudited

The derivative liabilities associated with the Convertible Debentures remained in effect until such time as the underlying convertible notes were exercised or terminated (see Note 10 - Derivative Instruments). As of March 31, 2024 and December 31, 2023, there were no derivative liabilities recorded on the Company's condensed consolidated balance sheet as the Convertible Debentures were fully repaid on December 4, 2023.

The Company received proceeds, net of a 2 % original issuance discount, of $ 34.3 million from Yorkville. Debt issuance costs of $ 0.3 million were recorded at inception of the Convertible Debentures. Debt discount and issuance costs are amortized through the maturity date of the debenture using the effective interest rate method.

The Convertible Debentures were not included in the computation of either basic or diluted earnings per share ("EPS") for the three months ended March 31, 2023 in Note 16 — Net Loss per Share, because the financial instrument did not represent participating securities. Further, the Convertible Debentures are not included in diluted EPS because the Company reported a net loss from continuing operations for the three months ended March 31, 2023; thus, including these financial instruments would have an antidilutive effect on EPS.

As of March 31, 2024 and December 31, 2023, there was no principal balance recorded as the Convertible Debentures were fully repaid on December 4, 2023. Amortization of debt discounts and issuance costs, recorded in other expense, net, for the three months ended March 31, 2024 and 2023 totaled $ 0.0 million and $ 1.8 million, respectively. The Company recorded interest expense of $ 0.0 million and $ 0.4 million in other expense, net related to the Convertible Debentures during the three months ended March 31, 2024 and 2023, respectively.

Convertible Promissory Note

On August 9, 2022, the Company entered into a note purchase agreement (the "Note Purchase Agreement") with Aljomaih Automotive Co. ("Aljomaih") under which the Company agreed to sell and issue to Aljomaih a convertible promissory note with a principal amount of $ 20.0 million. On August 11, 2022, pursuant to the Note Purchase Agreement, the Company sold and issued $ 20.0 million in principal amount of a convertible promissory note (the "Original Note") to Aljomaih. On September 28, 2022, the Company and Aljomaih agreed to amend and restate the Original Note (as amended and restated, the "Note") to, among other things, adjust the calculation of the shares of the Company's Common Stock issuable as interest, as described further below.

The Note, which matures on August 11, 2025, bears interest at a rate of 10.0 % per annum, payable at maturity in validly issued, fully paid and non-assessable shares of Common Stock ("Interest Shares"), unless earlier converted or paid. If the 10 -day VWAP ending on the trading day immediately prior to the applicable payment date is greater than or equal to the Nasdaq Minimum Price (as defined in the Note) or the Company has received the requisite approval from its stockholders, the number of Interest Shares to be issued will be calculated based on the 10 -day; otherwise, the number of Interest Shares to be issued will be based on the Nasdaq Minimum Price. The conversion price for the Note will initially be equal to $ 71.451 per share, as adjusted for the Company's 1-for-30 reverse stock split that occurred on December 6, 2023, subject to adjustment in some events pursuant to the terms of the Note. The Company will have the right, in its sole discretion and exercisable at its election by sending notice of such exercise to Aljomaih, to irrevocably fix the method of settlement that will apply to all conversions of Notes. Methods of settlement include (i) physical settlement in shares of Common Stock, (ii) cash settlement determined by multiplying the principal being converted by the 10 -day VWAP ending on the trading day immediately prior to the conversion date and dividing by the conversion price, or (iii) a combination of Common Stock and cash.

The Note may not be converted into shares of Common Stock and Interest Shares may not be issued to the extent (i) such conversion or issuance would result in the investor having beneficial ownership of more than 19.99 % of the then outstanding shares of the Company's Common Stock or (ii) the aggregate number of shares issued would exceed the Authorized Share Cap (as defined in the Note).

The Note also includes an optional redemption feature that provides the Company, on or after August 11, 2024, or as otherwise agreed to between the Company and Aljomaih in writing, the right to redeem the outstanding principal and accrued and unpaid interest, upon written notice not less than 5 trading days prior to exercise of the option, in full or in part and without penalty.

The Company accounts for the Note in accordance with the guidance contained in ASC 815-40, Derivatives and Hedging—Contracts in Entity's Own Equity, under which the Note was analyzed for the identification of material embedded features that meet the criteria for equity treatment and/or bifurcation and must be recorded as a liability. The Company classified the Note as a non-current liability given a maturity date of greater than one year.

Xos, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Unaudited

The Note will not be included in the computation of either basic or diluted EPS for the three months ended March 31, 2024 in Note 16 — Net Loss per Share. This financial instrument is not included in basic EPS because it does not represent participating securities. Further, the Note is not included in diluted EPS because the Company reported a net loss from continuing operations for the three months ended March 31, 2024; thus, including these financial instruments would have an antidilutive effect on EPS.

As of March 31, 2024 and December 31, 2023, the Company had a principal balance of $ 20.0 million outstanding, net of unamortized debt and issuance costs of $ 68,000 and $ 0.1 million, respectively. Debt issuance costs are amortized through the maturity date of the Note using the effective interest rate method. Amortization of debt issuance costs, recorded in other expense, net, for the three months ended March 31, 2024 and 2023, was immaterial . The Company recorded interest expense of $ 0.5 million and $ 0.5 million in other expense, net related to the Note during the three months ended March 31, 2024 and 2023, respectively.

Note 9 — Equity

Xos Common and Preferred Stock

The Company is authorized to issue two classes of stock to be designated, respectively, “Common Stock” and “Preferred Stock.” The total number of shares which the Company is authorized to issue is 1,010,000,000 shares. 1,000,000,000 shares shall be Common Stock, each having a par value of one-hundredth of one cent ($ 0.0001). 10,000,000 shares shall be Preferred Stock, each having a par value of one-hundredth of one cent ($ 0.0001).

Voting Rights: Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Company for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to this Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock).

Preferred Stock: The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Company (the “Board of Directors”) is hereby expressly authorized to provide for the issue of all or any number of the shares of the Preferred Stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares and as may be permitted by the Delaware General Corporation Law (the “DGCL”). The Board of Directors is also expressly authorized to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series subsequent to the issuance of shares of that series. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

Nasdaq Deficiency Letter: On December 28, 2022, the Company received a deficiency letter (the “Letter”) from the Listing Qualifications Department of The Nasdaq Stock Market LLC (“Nasdaq”) notifying the Company that, for the last 30 consecutive business days prior to the date of the Letter, the closing bid price for the Common Stock, was below $1.00 per share, which is the minimum closing bid price required for continued listing on the Nasdaq Global Market pursuant to Nasdaq Listing Rule 5450(a)(1) (“Rule 5450(a)(1)”).

Pursuant to Nasdaq Listing Rule 5810(c)(3)(A), the Company was provided with a grace period of 180 calendar days, or until June 26, 2023, to meet the minimum bid price requirement of Rule 5450(a)(1) under the listing rules of Nasdaq (the “Minimum Bid Price Requirement”). On June 20, 2023, the Company applied to transfer the listing of the Common Stock and Warrants from The Nasdaq Global Market to The Nasdaq Capital Market.

On June 27, 2023, the Company received approval from the Listing Qualifications Department of Nasdaq to transfer the listing of the Common Stock and Warrants from the Nasdaq Global Market to the Nasdaq Capital Market (the “Approval”). The Common Stock and Warrants transferred to the Nasdaq Capital Market at the opening of business on June 29, 2023. The

Xos, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Unaudited

Common Stock will continue to trade under the symbol “XOS” and the Warrants will continue to trade under the symbol “XOSWW.” The Nasdaq Capital Market operates in substantially the same manner as the Nasdaq Global Market, but with less stringent listing requirements, although listed companies must meet certain financial requirements and comply with Nasdaq’s corporate governance requirements.

In connection with the Approval, the Company was granted an additional 180-calendar day grace period, or until December 26, 2023, to regain compliance with the Minimum Bid Price Requirement. To regain compliance with the Minimum Bid Price Requirement and qualify for continued listing on the Nasdaq Capital Market, the minimum bid price per share of the Common Stock had to be at least $1.00 for at least ten consecutive business days during the additional 180-calendar day grace period. As part of the Company’s transfer application, the Company notified Nasdaq that in order to regain compliance with the Minimum Bid Price Requirement during the additional grace period, it would implement a reverse stock split. As described below, the Company effected the Reverse Stock Split on December 6, 2023. As a result, the minimum bid price per share of the Common Stock was at least $1.00 for the ten consecutive business days ending December 20, 2023, causing the Company to regain compliance with the Minimum Bid Price Requirement.

Reverse Stock Split: In response to the Nasdaq Deficiency Letter, on December 6, 2023, the Company filed a Certificate of Amendment to the Company’s Certificate of Incorporation to effect a 1-for-30 reverse stock split (the “Reverse Stock Split”) of the Company’s issued and outstanding shares of common stock, par value $ 0.0001 per share (the “Common Stock”). As a result of the Reverse Stock Split, every 30 shares of Common Stock issued and outstanding were automatically combined and converted into one share of Common Stock. No fractional shares were issued in connection with the Reverse Stock Split. Stockholders of record who otherwise would have been entitled to receive fractional shares because they held a number of shares of Common Stock not evenly divisible by the Reverse Stock Split ratio automatically received a cash payment in lieu of such fractional shares based on the closing price of the Common Stock as of the effective time of the Reverse Stock Split. The Reverse Stock Split did not reduce the number of authorized shares of Common Stock of 1,000,000,000 , or change the par value of the Common Stock. The Reverse Stock Split affected all stockholders uniformly and did not affect any stockholder’s ownership percentage of the Company’s shares of Common Stock (except to the extent that the Reverse Stock Split resulted in some of the stockholders receiving cash in lieu of fractional shares).

All outstanding stock options, warrants, restricted stock units, convertible debt and similar securities entitling their holders to receive or purchase shares of Common Stock will be proportionately adjusted as a result of the Reverse Stock Split, as required by the terms of each security. After giving effect to the Reverse Stock Split, with respect to the Company's warrants listed on Nasdaq under the symbol “XOSWW,” every 30 warrants outstanding immediately prior to the Reverse Stock Split are exercisable for one share of Common Stock at an exercise price of $ 345.00 per share, which is 30 times $ 11.50 , the current exercise price per share.

Standby Equity Purchase Agreement

On March 23, 2022, the Company entered into a Standby Equity Purchase Agreement with YA II PN, Ltd. (“Yorkville”), which was subsequently amended on June 22, 2023 (as amended, the "SEPA"), whereby the Company has the right, but not the obligation, to sell to Yorkville up to $ 125.0 million of shares of its Common Stock at its request any time until February 11, 2026, subject to certain conditions. The Company expects to use any net proceeds for working capital and general corporate purposes.

As consideration for Yorkville’s commitment to purchase shares of Common Stock at the Company’s direction upon the terms and subject to the conditions set forth in the purchase agreement, upon execution of the purchase agreement, the Company issued 18,582 pre-split (619 post-split) shares of common stock to Yorkville.

On June 22, 2023, the Company and Yorkville entered into the First Amendment to SEPA (the “SEPA Amendment”), in which the Company and Yorkville agreed to: (1) change the calculation of the purchase price of an Option 1 Advance (as defined in the SEPA) from an average of the daily VWAP of the Common Stock during a three-day pricing period to the lowest VWAP during such three-day pricing period; (2) change the denomination of any requested advances from the Company to Yorkville under the SEPA from dollars to shares; (3) increase Yorkville’s beneficial ownership limitation under the SEPA from 4.99 % to 9.99 % of the outstanding Common Stock, provided that if any portion of an advance under the SEPA would cause Yorkville to exceed the beneficial ownership limitation due to Yorkville’s ownership of the Company’s securities convertible into Common Stock, then the maximum number of shares of Common Stock that such securities will be convertible into will be reduced by the number of shares of Common Stock included in such advance for such period that Yorkville holds such shares of common stock covered by such advance and the number of shares of Common Stock covered by such advance will not be reduced; (4) extend the commitment period to February 11, 2026 and (5) make other administrative and drafting changes.

Pursuant to Side Letter, the Company and Yorkville agreed, among other things, to remove the restriction in the Securities Purchase Agreement on the Company's ability to effect an advance under the SEPA, subject to certain conditions while the Convertible Debentures remain outstanding. The proceeds from any advance under the SEPA will offset an equal amount outstanding under the Convertible Debentures as an optional redemption. During each calendar month, any portion of such proceeds that would result in the cumulative reduction to the outstanding principal under the Convertible Debentures by more than $ 3.0 million ("Excess Proceeds") shall be split such that 75 % of such Excess Proceeds is paid to the Company pursuant to the terms of the SEPA and 25 % of such Excess Proceeds is applied as an optional redemption of the Convertible Debentures. Each monthly Prepayment amount under the Convertible Debentures shall be reduced by any such optional redemptions in the 30 days prior to the applicable Prepayment date. During the three months ended March 31, 2024 and 2023, the Company issued 5,500 shares and 0 shares of Common Stock under the SEPA for proceeds of $ 46,750 and $ 0 , respectively.

As of March 31, 2024 and December 31, 2023, the remaining commitment available under the agreement was $ 119.5 million. However, our ability to fully utilize the remaining commitment amount may be limited by various factors, including, but not limited to, the availability of an effective registration statement permitting the resale of such shares of Common Stock. In particular, the Company's access to capital under the SEPA is not available as of the date of this Report on Form 10-Q and will not be available until the Company files with the SEC a post-effective amendment to the Registration Statement on Form S-1 filed on July 27, 2023.

Note 10 — Derivative Instruments

Public and Private Placement Warrants

As of March 31, 2024, the Company had 18,633,301 Public Warrants and 199,997 Private Placement Warrants outstanding, with fair values of $ 0.6 million and $ 5,980 , respectively.

The Public Warrants have an exercise price of $ 345.00 per share, subject to adjustments, and will expire on August 20, 2026 or earlier upon redemption or liquidation. The Public Warrants may only be exercised for a whole number of shares. No fractional Public Warrants will be issued upon separation of the units and only whole Public Warrants will trade. The Public Warrants became exercisable; provided that the Company has an effective registration statement under the Securities Act covering the issuance of the Common Stock issuable upon exercise of the Warrants and a current prospectus relating to them is available and such shares are registered, qualified or exempt from registration under the securities, or blue sky, laws of the state of residence of the holder (or the Company permits holders to exercise their Warrants on a cashless basis under the circumstances specified in the warrant agreement). A registration statement was filed with the SEC covering the issuance of the Common Stock issuable upon exercise of the Warrants, and the Company will use its commercially reasonable efforts to maintain the effectiveness of such registration statement and a current prospectus relating to those shares of Common Stock until the Public Warrants expire or are redeemed. If the shares of Common Stock are at the time of any exercise of a Public Warrant not listed on a national securities exchange such that they satisfy the definition of a "covered security" under Section 18(b)(1) of the Securities Act, the Company may, at its option, requires holders of Public Warrants who exercise their warrants to do so on a "cashless basis" in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company so elects, it will not be required to file or maintain in effect a registration statement.

The Private Placement Warrants are identical to the Public Warrants, except that the Private Placement Warrants and the Common Stock issuable upon exercise of the Private Placement Warrants were not transferable, assignable or salable until September 19, 2021, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial shareholders or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

Redemption of Warrants for cash when the price per Common Stock equals or exceeds $ 540.00 :

Once the Warrants become exercisable, the Company may redeem the outstanding Warrants (except as described above with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of $ 0.30 per Warrant;
- upon not less than 30 days' prior written notice of redemption to each Warrant holder; and
- if, and only if, the last reported sale price of Common Stock for any 20 trading days within a 30 -trading day period ending on the third trading day prior to the date on which the Company sends the notice of redemption to the Warrant holders (the "Reference Value") equals or exceeds $ 540.00 per share (as adjusted for share sub-divisions, share dividends, rights issuances, consolidations, reorganizations, recapitalizations and the like).

The Company will not redeem the Warrants as described above unless a registration statement under the Securities Act covering the issuance of the Common Stock issuable upon exercise of the Warrants is then effective and a current prospectus relating to those Common Stock is available throughout the 30-day redemption period. If and when the Warrants become redeemable by the Company, it may exercise its redemption right even if the Company is unable to register or qualify the underlying securities for sale under all applicable state securities laws.

Redemption of Warrants for Common Stock when the price per share equals or exceeds $ 300.00 :

Once the Warrants become exercisable, the Company may redeem the outstanding Warrants (including both Public Warrants and Private Placement Warrants):

- in whole and not in part;
- at $ 3.00 per Warrant upon a minimum of 30 days' prior written notice of redemption provided that holders will be able to exercise their Warrants on a cashless basis prior to redemption and receive that number of shares determined by reference to an agreed table based on the redemption date and the "fair market value" of Common Stock;
- if, and only if, the Reference Value equals or exceeds $ 300.00 per share (as adjusted for share splits, share dividends, rights issuances, subdivisions, reorganizations, recapitalizations and the like); and
- if the Reference Value is less than $ 540.00 per share (as adjusted), the Private Placement Warrants must also concurrently be called for redemption on the same terms as the outstanding Public Warrants, as described above.

The "fair market value" of Common Stock shall mean the average reported last sale price of Common Stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of Warrants.

In no event will the Company be required to net cash settle any Warrant. The Warrants may also expire worthless.

Note 11 — Share-Based Compensation

2018 Stock Plan

On November 27, 2018, the Legacy Xos' board of directors and stockholders adopted the 2018 Stock Plan. There are no shares available for issuance under the 2018 Stock Plan; however, the 2018 Stock Plan continues to govern the terms and conditions of the outstanding awards granted under the 2018 Stock Plan.

As of March 31, 2024, there were 1,853 Options outstanding under the 2018 Stock Plan. The amount and terms of Option grants were determined by the board of directors of Legacy Xos. The Options granted under the 2018 Stock Plan generally expire within 10 years from the date of grant and generally vest over four years , at the rate of 25 % on the first anniversary of the date of grant and ratably on a monthly basis over the remaining 36 -month period thereafter based on continued service.

Stock option activity during the three months ended March 31, 2024 consisted of the following:

	Options	Weighted Average Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Years	Intrinsic Value
December 31, 2023 — Options outstanding	22,512	$ 0.40	$ 0.51	0.55	$ 168,194
Exercised	(20,659)	0.38	0.50		141,076
March 31, 2024 — Options outstanding	**1,853**	**$ 0.56**	**$ 0.63**	**5.79**	**$ 17,806**
March 31, 2024 — Options vested and exercisable	**1,654**	**$ 0.54**	**$ 0.64**	**5.72**	**$ 15,874**

Aggregate intrinsic value represents the difference between the exercise price of the options and the fair value of the Company's common stock. The aggregate intrinsic value of options exercised during the three months ended March 31, 2024 and 2023 were approximately $ 141,076 and $ 800 , respectively.

The Company estimates the fair value of options utilizing the Black-Scholes option pricing model, which is dependent upon several variables, including expected option term, expected volatility of the Company's share price over the expected term, expected risk-free rate and expected dividend yield rate. There were no option grants during the three months ended March 31, 2024 and 2023.

2021 Equity Plan

On August 19, 2021 the Company's stockholders approved the 2021 Equity Plan, which was ratified by the Company's board of directors on August 20, 2021. The 2021 Equity Plan provides for the grant of incentive stock options ("ISOs"), within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") to employees, including employees of any parent or subsidiary, and for the grant of no statutory stock options ("NSOs"), stock appreciation rights, restricted stock awards, RSUs, performance awards and other forms of awards to employees, directors and consultants, including employees and consultants of Xos' affiliates.

As of March 31, 2024, there were 439,307 shares of Common Stock available for issuance under the 2021 Equity Plan.

RSU activity during the three months ended March 31, 2024 consisted of the following:

	RSUs	Weighted Average Grant Date Fair Value	Weighted Average Fair Value
December 31, 2023 — RSU outstanding	603,040	$ 18.97	$ 4,819,138
Granted	95,636	9.15	863,989
Vested	(94,428)	17.76	848,522
Forfeited	(4,845)	21.26	55,365
March 31, 2024 — RSU outstanding	**599,403**	**$ 17.43**	**$ 6,146,714**

The Company recognized stock-based compensation expense (including earn-out RSUs) in the condensed consolidated statements of operations and comprehensive loss for the three months ended March 31, 2024 and 2023, totaling approximately $ 2.0 million and $ 2.0 million, respectively, which consisted of the following (*in thousands)*:

	Three Months Ended March 31,	
	2024	2023
Cost of goods sold	$ 137	$ 129
Research and development	462	501
Sales and marketing	154	267
General and administrative	1,253	1,115
Total	**$ 2,006**	**$ 2,012**

The unamortized stock-based compensation expense was $ 8.0 million as of March 31, 2024, and weighted average remaining amortization period as of March 31, 2024 was 2.21 years.

The aggregate fair value of RSUs that vested was $ 0.8 million during the three months ended March 31, 2024.

Note 12 — Property and Equipment, net

Property and equipment, net consisted of the following at March 31, 2024 and December 31, 2023 *(in thousands)*:

	March 31, 2024	December 31, 2023
Equipment	$ 7,643	$ 7,629
Finance lease assets	7,974	7,974
Furniture and fixtures	173	173
Company vehicles	2,102	2,102
Leasehold improvements	1,401	1,401
Computers, software and related equipment	3,091	3,091
Construction in progress	292	292
Property and equipment, gross	22,676	22,662
Accumulated depreciation	(9,038)	(8,002)
Property and equipment, net	$ 13,638	$ 14,660

Depreciation expense during the three months ended March 31, 2024 and 2023, totaled $ 0.9 million and $ 1.0 million, respectively.

Note 13 — Commitments and Contingencies

Legal Contingencies

Legal claims may arise from time to time in the normal course of business, the results of which may have a material effect on the Company's accompanying unaudited condensed consolidated financial statements. As of March 31, 2024 and December 31, 2023, the Company was not a party to any legal proceedings, that individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

Other Contingencies

The Company enters into non-cancellable long-term purchase orders and vendor agreements in the normal course of business. As of March 31, 2024, non-cancellable purchase commitments with two of the Company's vendors totaled $ 0.7 million. Subsequent to March 31, 2024, the Company entered into non-cancellable purchase commitments with two vendors aggregating to approximately $1.0 million.

Note 14 — Related Party Transactions

The Company had a contract manufacturing agreement with Fitzgerald Manufacturing Partners to provide manufacturing services, which was terminated during June 2023. The owner of Fitzgerald Manufacturing Partners is a stockholder of the Compan y. The Company also has lease agreements with Fitzgerald Manufacturing Partners. For the three months ended March 31, 2024 and 2023, the Company incurred rent expense of $ 0.2 million and $ 0.2 million, respectively, related to these agreements.

Note 15 — Income Taxes

The effective tax rate during the three months ended March 31, 2024 and 2023 was (0.04)% and (0.01)%, respectively. State taxes coupled with losses not benefited resulted in an effective tax rate below the statutory tax rate of 21% for the three months ended March 31, 2024.

The Company acquired ElectraMeccanica on March 26, 2024 through a stock acquisition. The Company considered ElectraMeccanica’s operations for income tax purposes and deemed the net impact to the provision for income taxes for the three months ended March 31, 2024 immaterial.

The Company recognizes tax benefits related to positions taken, or expected to be taken, on its tax returns, only if the positions are "more-likely-than-not" sustainable. Once this threshold has been met, the Company's measurement of its expected tax benefits is recognized in its financial statements. The Company does not have any uncertain tax positions that meet this threshold as of March 31, 2024 and December 31, 2023.

The Company is subject to taxation and files income tax returns with the U.S. federal government and various states, as well as Canada and China. The Company’s 2020 California state return is currently under examination by the California Franchise Tax Board, but the Company doesn’t believe there are any uncertain tax benefits that should be reserved. The Company is not currently under examination by any other tax authorities. The Company generally is not subject to examination for tax years prior to 2018.

At March 31, 2024, the Company's deferred income taxes were in a net asset position mainly due to deferred tax assets generated by net operating losses. The Company assesses the likelihood that its deferred tax assets will be realized. A full review of all positive and negative evidence needs to be considered, including the Company's current and past performance, the market environments in which the Company operates, the utilization of past tax credits, the length of carryback and carryforward periods, and tax planning strategies that might be implemented. Management believes that, based on a number of factors, it is more likely than not that all or some portion of the deferred tax assets may not be realized; accordingly, the Company has provided a valuation allowance against its net deferred tax assets at March 31, 2024 and December 31, 2023.

Xos, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Unaudited

Note 16 — Net Loss per Share

Basic and diluted net loss per share during the three months ended March 31, 2024 and 2023 consisted of the following (*in thousands*, *except per share amounts*):

	Three Months Ended March 31,	
	2024	**2023**
Numerator:		
Net loss	$ (11,003)	$ (24,331)
Net loss attributable to common stockholders, basic	(11,003)	(24,331)
Net loss attributable to common stockholders, diluted [(1)]	(11,003)	(24,331)
Denominator:		
Basic [(2)]		
Weighted average common shares outstanding, basic	6,108	5,628
Basic net loss per share	**$ (1.80)**	**$ (4.32)**
Diluted [(2)]		
Weighted average common shares outstanding, diluted [(1)]	6,108	5,628
Diluted net loss per share	**$ (1.80)**	**$ (4.32)**

[(1)] Net loss attributable to common stockholders, diluted during the three months ended March 31, 2024, excludes adjustments related to the change in fair value of derivative liabilities, interest expense and amortization of discounts and issuance costs related to Convertible Debentures. Additionally, weighted average common shares outstanding, diluted as of the three months ended March 31, 2023 excludes the if-converted shares related to Convertible Debentures. These adjustments were excluded from the calculation of diluted net loss per share as they would have an antidilutive effect (see Note 8 - Convertible Notes).

[(2)] Shares for the three months ended March 31, 2023 have been retrospectively adjusted for the 1-for-30 reverse stock split that occurred on December 6, 2023.

Potential ending shares outstanding that were excluded from the computation of diluted net loss per share because their effect was anti-dilutive as of March 31, 2024 and 2023 consisted of the following *(in thousands)*:

	Three Months Ended March 31,	
	2024	**2023**
Contingent earn-out shares	547	547
Common stock public and private warrants	18,833	18,833
Restricted stock units	599	307
Stock options	2	52
If-converted common stock from convertible debt	280	1,684

Note 17 — Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability.

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As presented in the tables below, this hierarchy consists of three broad levels:

- *Level 1:* Quoted prices in active markets for identical assets and liabilities.

- *Level 2:* Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs or significant value drivers are observable.

- *Level 3:* Significant inputs to the valuation model are unobservable and significant to the overall fair value measurement of the assets or liabilities. Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, other current liabilities, warrants, earn-out shares liability, convertible debt and the associated derivative liability. The fair value of cash, cash equivalents and accounts receivable approximates carrying value due to their short-term maturity.

As required by ASC 820, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Derivative financial instruments which are required to be measured at fair value on a recurring basis are measured at fair value using Level 3 inputs for all periods presented. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities carried at fair value on a recurring basis as of March 31, 2024 and December 31, 2023 consisted of the following *(in thousands)*:

	March 31, 2024			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Cash and Cash Equivalents[1]*:*				
Money market funds	$ 8	$ 8	$ —	$ —
Total Financial Assets	**$ 8**	**$ 8**	**$ —**	**$ —**
Financial Liabilities:				
Private Placement Warrants	$ 6	$ —	$ 6	$ —
Public Warrants	557	557	—	—
Contingent Earn-out Shares liability	42	—	—	42
Total Financial Liabilities	**$ 605**	**$ 557**	**$ 6**	**$ 42**

	December 31, 2023			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Financial Assets				
Cash and Cash Equivalents[1]*:*				
Money market funds	$ 2,917	$ 2,917	$ —	$ —
Total Financial Assets	**2,917**	**2,917**	**—**	**—**
Financial Liabilities:				
Private Placement Warrants	$ 4	$ —	$ 4	$ —
Public Warrants	391	391	—	—
Contingent Earn-out Shares liability	39	—	—	39
Total Financial Liabilities	**$ 434**	**$ 391**	**$ 4**	**$ 39**

[1] Included in total cash and cash equivalents on the condensed consolidated balance sheets.

Xos, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Unaudited

The changes in the fair value of Level 3 financial liabilities during the three months ended March 31, 2024 consisted of the following *(in thousands):*

	Contingent Earn-Out Shares Liability
Fair value at December 31, 2023	$ 39
Recognition of earn-out RSUs	—
Change in fair value during the period	3
Fair value at March 31, 2024	$ 42

Significant unobservable inputs related to Level 3 earn-out shares liability consisted of the following:

	March 31, 2024	December 31, 2023
Stock price	$ 10.24	$ 7.98
Stock price volatility	80 %	80 %
Expected term	2.39 years	2.64 years
Risk-free interest rate	4.5 %	4.1 %

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

The following discussion and analysis provides information which Xos' management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read together with the unaudited condensed consolidated financial statements and related notes that are included elsewhere in this Report. You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes included elsewhere in this Report and our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 29, 2024. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section entitled "Risk Factors". Unless the context otherwise requires, references in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" to "we", "us", "our", and "the Company" are intended to mean the business and operations of Xos and its consolidated subsidiaries.

Overview

We are a leading fleet electrification solutions provider committed to the decarbonization of commercial transportation. We design and manufacture Class 5-8 battery-electric commercial vehicles that travel on last-mile, back-to-base routes of up to 200 miles per day. We also offer charging infrastructure products and services through Xos Energy Solutions™ to support electric vehicle fleets. Our proprietary fleet management software, Xosphere™, integrates vehicle operation and vehicle charging to provide commercial fleet operators a more seamless and cost-efficient vehicle ownership experience than traditional internal combustion engine counterparts. We developed the X-Platform (our proprietary, purpose-built vehicle chassis platform) and the X-Pack (our proprietary battery system) specifically for the medium- and heavy-duty commercial vehicle segment with a focus on last-mile commercial fleet operations.

We currently manufacture a Class 5-6 MD X-Platform with multiple body options to address different customer use cases, including parcel delivery, linen, food & beverage, and armored cash transport. In May 2022, we launched our Class 7-8 HD X-Platform.

Our X-Platform and X-Pack provide modular features that allow us to accommodate a wide range of last-mile applications and enable us to offer clients at a lower total cost of ownership compared to traditional diesel fleets. The X-Platform and X-Pack were both engineered to be modular in nature to allow fleet operators to customize their vehicles to fit their commercial applications (e.g., upfitting with a specific vehicle body and/or tailoring battery range).

Through our Powered by Xos™ business we also provide mix-use powertrain solutions for off-highway, industrial and other specialty vehicles, such as forklifts, school buses, medical and dental clinics, blood donation vehicles, and mobile command vehicles. Our powertrain offerings encompass a broad range of solutions, including high-voltage batteries, power distribution and management componentry, battery management systems, system controls, inverters, electric traction motors and auxiliary drive systems.

Xos Energy Solutions™ is our comprehensive charging infrastructure through which we offer mobile and permanent multi-application charging equipment, mobile energy storage, and turnkey energy infrastructure services to accelerate transitions to electric fleets by maximizing incentive capture and reducing implementation lead times and costs. Xos Energy Solutions™ offers customers full service project management, electric vehicle chargers and charging equipment, and solutions for charging infrastructure installation. This service is available to customers whether they use Xos trucks, competitor trucks, or a mixed fleet.

We have also developed a fleet management platform called Xosphere™ that interconnects vehicle, maintenance, charging, and service data. The Xosphere™ is aimed at minimizing electric fleet TCO through fleet management integration. This comprehensive suite of tools allows fleet operators to monitor vehicle and charging performance in real-time with in-depth telematics; reduce charging cost; optimize energy usage; and manage maintenance and support with a single software tool.

During the three months ended March 31, 2024, we delivered 60 vehicles and 2 powertr ains. During the three months ended March 31, 2023, we delivered 30 vehicles and 1 powertrain.

During the three months ended March 31, 2024, we generated $12.0 million in revenue (or 91% of revenue) from vehicle and powertrain sales, $0.6 million (or 5% of revenue) from Fleet-as-a-Service revenue, and $0.5 million (or 4% of revenue) from ancillary revenue. During the three months ended March 31, 2023, we generated $4.3 million in revenue (or 91% of revenue) from vehicle and powertrain sales, $0.2 million (or 3% of revenue) from Fleet-as-a-Service revenue, and $0.3 million (or 6% of revenue) from ancillary revenue.

We believe our growth in the coming years is supported by the strong secular tailwinds of an increased focus on the impact of climate change and the growth of e-commerce and last-mile delivery. Commercial trucks are the largest emitters of greenhouse gases per capita in the transportation industry. The U.S. federal, state and foreign governments, along with corporations such as FedEx, UPS and Amazon, have set ambitious goals to reduce greenhouse gas emissions. Simultaneously, e-commerce continues to grow rapidly and has been accelerated by changes in consumer purchasing behavior during the COVID-19 pandemic. We believe the increased regulation relating to commercial vehicles, the launch of sustainability initiatives from leading financial and corporate institutions and the rapid growth of last-mile logistics will fuel accelerated adoption of our products worldwide.

Recent Developments

On January 11, 2024, Xos and ElectraMeccanica entered into an arrangement agreement, as amended on January 31, 2024 (the "Arrangement Agreement"), pursuant to which Xos acquired all of the issued and outstanding common shares of ElectraMeccanica pursuant to a plan of arrangement (the "Plan of Arrangement") under the Business Corporations Act (British Columbia) (the "Arrangement").

The Arrangement was consummated on March 26, 2024. Subject to the terms and conditions set forth in the Arrangement Agreement and the Plan of Arrangement, on March 26, 2024, each ElectraMeccanica Share outstanding immediately prior to the effective time of the Arrangement was converted automatically into the right to receive 0.0143739 of a share of our Common Stock, for total consideration of 1,766,388 shares of Common Stock. Our liquidity will be supplemented by accessing ElectraMeccanica's cash balance, which was estimated to be approximately $50.2 million (excluding severance related costs paid at closing) as of the effective date of the Arrangement.

Key Factors Affecting Operating Results

We believe that our performance and future success depend on several factors that present significant opportunities for us but also pose risks and challenges, including those discussed in this Report.

Successful Commercialization of our Products and Services

We expect to derive future revenue from sales of our vehicles, battery systems and other product and service offerings. As many of these products are in development, we will require substantial additional capital to continue developing our products and services and bring them to full commercialization as well as fund our operations for the foreseeable future. Until we can generate sufficient revenue from product sales, we expect to finance a substantial portion of our operations through commercialization and production with proceeds from the Business Combination, the SEPA, the Convertible Note (as defined below), the ElectraMeccanica acquisition and any future capital raising efforts. The amount and timing of our future funding requirements, if any, will depend on many factors, including the pace and results of our commercialization efforts.

Customer Demand

We have sold a limited number of our vehicles to our existing customers, have agreements with future customers and have received interest from other potential customers. The sales of our vehicles and services to our existing and future customers will be an important indicator of our performance.

Supply Chain Management

As described more fully below, certain areas of our supply chain have been disrupted due to global economic and political conditions. Our ability to find alternative solutions to meet customer demands will affect our financial performance.

Global economic conditions and geopolitical unrest, have been fluctuating and varying unpredictably, thus impacting our ability to procure and our suppliers' ability to produce certain critical inventory items. The speed and nature of the recovery in response to the pandemic is ongoing and in general slower than expected, especially in Asian markets, placing a burden on our supply chain management, including but not limited to the following areas:

- ***Semiconductor chip shortage*****:** The global silicon semiconductor industry has experienced a shortage in supply and difficulties in the ability to meet customer demand. This shortage has led to an increase in lead-times of production of semiconductor chips and other highly engineered components since the beginning of 2020.

- ***Battery cells:*** The battery cell industry continues to face a shortage in supply which is causing suppliers to both limit customer allocations and provide limited cost relief.
- ***Supply limitation on vehicle bodies and aluminum commodity pricing*****:** Vehicle body suppliers are currently experiencing elevated pricing or a shortage of key materials such as aluminum.

In addition, internal efforts to achieve direct material cost reductions, such as re-sourcing raw materials, finding better quality sources of supply, reengineering our product offerings to accommodate better quality and/or low cost components which may require finding new sources of supply, have also impacted our ability to source critical components in the short term. Facing such headwind challenges, we have taken measures to secure additional inventory necessary for the manufacturing of our vehicles, including working with vendors to find alternate sources of supply for critical components, and placing orders in advance of projected need. In spite of the various measures taken to minimize the impact of these supply limitations, we continue to experience uncertainty that all inventory will be able to be delivered in time for production plans.

The unpredictability of supply availability could lead to previously unforeseen cost and delivery pressures on certain material and logistical costs. As the Company accelerates execution of its strategic plans, we will endeavor to be strategic in our cost action plans, including working with various vendors and service providers to provide us cost-effective arrangements.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Xos and its wholly owned subsidiaries, Xos Fleet, Inc. and Xos Services, Inc. (f/k/a Rivordak, Inc.), as well as the entities acquired pursuant to the Arrangement with ElectraMeccanica. All significant intercompany accounts and transactions have been eliminated in consolidation. All long-lived assets are maintained in, and all losses are attributable to, the United States.

Currently, we conduct business through one operating segment. We are an early-stage growth company with minimal commercial operations and our activities to date have been conducted primarily within North America. For more information about our basis of operations, refer to Note 1 - Description of Business in the accompanying unaudited condensed consolidated financial statements for more information.

Components of Results of Operations

Revenues

To date, we have primarily generated revenue from the sale of electric step vans, stripped chassis vehicles and battery systems. Our stripped chassis is our vehicle offering that consists of our X-Platform electric vehicle base and X-Pack battery systems, which customers can upfit with their preferred vehicle body. As we continue to expand our commercialization, we expect our revenue to come from these products and other vehicle offerings including chassis cabs, which will feature our chassis and powertrain with the inclusion of a proprietary designed cab, and tractors, a shortened version of the chassis cab designed to haul trailers (also known as "day cabs"), that travel in last-mile use cases. In addition, we also offer service offerings, such as Fleet-as-a-Service, which is a full suite of service offerings that includes Xos Energy Solutions™, our energy solutions offering and Xosphere™, our fleet management platform.

Revenue consists of product sales, inclusive of shipping and handling charges, net of estimates for customer allowances, Fleet-as-a-Service product offerings, and leasing. Revenue is measured as the amount of consideration we expect to receive in exchange for delivering products. All revenue is recognized when we satisfy the performance obligations under the contract. We recognize revenue by delivering the promised products to the customer, with the revenue recognized at the point in time the customer takes control of the products. For shipping and handling charges, revenue is recognized at the time the products are delivered to or picked up by the customer. For leasing, revenue is recognized on a straight line basis over the term of the lease agreement. The majority of our current contracts have a single performance obligation, which is met at the point in time that the product is delivered, and title passes, to the customer, and are short term in nature.

Cost of Goods Sold

Cost of goods sold includes materials and other direct costs related to production of our vehicles, including components and parts, batteries, direct labor costs and manufacturing overhead, among others. Cost of goods sold also includes material and other direct costs related to the production and assembly of powertrains and battery packs as well as materials and other costs incurred related to charging infrastructure installation. Materials include inventory purchased from suppliers, as well as assembly components that are assembled by company personnel, including allocation of stock-based compensation expense. Direct labor costs relate to the wages of those individuals responsible for the assembly of vehicles, powertrain units and batteries delivered to customers. Cost of goods sold also includes depreciation expense on property and equipment related to cost of goods sold activities, calculated over the estimated useful life of the property and equipment on a straight-line basis. Upon property and equipment retirement or disposal, the cost of the asset disposed, and the related accumulated depreciation from the accounts and any gain or loss is reflected in the consolidated statements of operations and comprehensive loss, allocated to cost of goods sold.

Cost of goods sold includes reserves for estimated warranty expenses as well as reserves for estimated returns of vehicles. Additionally, cost of goods sold includes adjustments for the results of physical inventory counts. Cost of goods sold also includes reserves to write down the carrying value of our inventory to their net realizable value and to provide for any excess or obsolescence.

We are continuing to undertake efforts to find more cost-effective vendors and sources of parts and raw materials to lower our overall cost of production.

General and Administrative Expenses

General and administrative ("G&A") expenses consist of personnel-related expenses, outside professional services, including legal, audit and accounting services, as well as expenses for facilities, non-sales related travel, and general office supplies and expenses. Personnel-related expenses consist of salaries, benefits, allocations of stock-based compensation, and associated payroll taxes. Overhead items including rent, insurance, utilities, and other items are included as G&A expenses. G&A expenses also include depreciation expense on property and equipment related to G&A activities, calculated over the estimated useful life of the property and equipment on a straight-line basis. Upon property and equipment retirement or disposal, the cost of the asset disposed, and the related accumulated depreciation from the accounts and any gain or loss is reflected in the consolidated statements of operations and comprehensive loss, allocated to G&A.

We expect that our G&A will start to decrease for the foreseeable future primarily due to lower headcount driven by our reduction in workforce.

Research and Development Expenses

Research and development ("R&D") expenses consist primarily of costs incurred for the design and development of our vehicles and battery systems, which include:

- expenses related to materials and, supplies consumed in the development and modifications to existing vehicle designs, new vehicle designs contemplated for additional customer offerings, and our battery pack design;
- fees paid to third parties such as consultants and contractors for engineering and computer-aided design work on vehicle designs and other third-party services; and
- payroll expense for employees primarily engaged in R&D activities, including allocation of stock-based compensation expense.

We expect our research and development costs to decrease for the foreseeable future primarily due to lower headcount driven by our reduction in workforce.

Sales and Marketing Expenses

Sales and marketing ("S&M") expenses consist primarily of e xpenses related to our marketing of vehicles and brand initiatives, which includes:

- travel expenses of our sales force who are primarily responsible for introducing our platform and offerings to potential customers;
- web design, marketing and promotional items, and consultants who assist in the marketing of the Company;
- payroll expense for employees primarily engaged in S&M activities, including allocation of stock-based compensation expense; and

- depreciation expense on property and equipment related to S&M activities, calculated over the estimated useful life of the property and equipment on a straight-line basis. Upon property and equipment retirement or disposal, the cost of the asset disposed, and the related accumulated depreciation from the accounts and any gain or loss is reflected in the consolidated statements of operations and comprehensive loss, allocated to S&M.

We expect these expenses to decrease for the foreseeable future primarily due to lower headcount driven by our reduction in workforce.

Other Expense, Net

Other expense, net primarily includes interest income from our investments in marketable debt securities, available-for-sale (for the three months ended March 31, 2023), interest paid on our equipment leases and interest expense related to our financing obligations, including the amortization for debt discount and issuance costs.

Change in Fair Value of Derivatives

Change in fair value of derivative instruments relates to Common Stock warrant liability assumed as part of the Business Combination and the conversion feature on the convertible notes issued in prior years and derivative features of the Convertible Debentures issued on August 11, 2022 and September 21, 2022. Changes in the fair value relate to remeasurement of our public and private placement warrants to fair value as of any respective exercise date and as of each subsequent balance sheet date and mark-to-market adjustments for derivative liabilities each measurement period.

Change in Fair Value of Contingent Earn-out Shares Liability

The contingent earn-out shares liability was established as part of the Business Combination. Changes in the fair value relate to remeasurement to fair value as of each subsequent balance sheet date.

Results of Operations

Comparison of the Three Months Ended March 31, 2024 and 2023

The following table sets forth our historical operating results for the periods indicated:

	For the Three Months Ended March 31,			
(in thousands)	**2024**	**2023**	**$ Change**	**% Change**
Revenues	$ 13,162	$ 4,697	$ 8,465	180 %
Cost of goods sold	10,374	5,574	4,800	86 %
Gross profit (loss)	2,788	(877)	3,665	nm
Operating expenses				
General and administrative	8,959	11,599	(2,640)	(23) %
Research and development	3,074	5,749	(2,675)	(47) %
Sales and marketing	998	1,804	(806)	(45) %
Total operating expenses	13,031	19,152	(6,121)	(32) %
Loss from operations	(10,243)	(20,029)	9,786	(49) %
Other expense, net	(584)	(4,151)	3,567	(86) %
Change in fair value of derivative instruments	(168)	(97)	(71)	73 %
Change in fair value of earn-out shares liability	(3)	(52)	49	(94) %
Loss before provision for income taxes	**(10,998)**	**(24,329)**	**13,331**	**(55) %**
Provision for income taxes	5	2	3	150 %
Net Loss	**$ (11,003)**	**$ (24,331)**	**$ 13,328**	**(55) %**

[(1)] Percentage changes greater than or equal to 400% are not meaningful and noted as “nm” in the table above.

Revenues

Our total revenues increased by $8.5 million, or 180%, from $4.7 million in the three months ended March 31, 2023 to $13.2 million in the three months ended March 31, 2024, primarily driven by an increase in unit sales and in average selling price. During the three months ended March 31, 2024, we sold 60 stepvans and 2 powertrains, compared to 30 stepvans and 1 powertrain during the three months ended March 31, 2023.

Revenue for the three months ended March 31, 2024 and 2023 consisted of the following (*dollars in thousands*):

	Three Months Ended March 31,			
	2024	**2023**	**$ Change**	**% Change**
Product and service revenue				
Stepvans & vehicle incentives	$ 11,585	$ 4,262	$ 7,323	172 %
Powertrains	422	5	417	nm
Fleet-as-a-Service	628	166	462	278 %
Total product and service revenue	12,635	4,433	8,202	185 %
Ancillary revenue	527	264	263	100 %
Total revenues	**$ 13,162**	**$ 4,697**	**$ 8,465**	**180 %**

(1) Percentage changes greater than or equal to 400% are not meaningful and noted as “nm” in the table above.

Cost of Goods Sold

Cost of goods sold increased by $4.8 million, or 86%, from $5.6 million in the three months ended March 31, 2023 to $10.4 million in the three months ended March 31, 2024. The increase in cost of goods sold is directly attributable to the increase in our product revenue and associated increases of (i) $4.4 million in direct materials, (ii) $0.2 million in unfavorable physical inventory count and other adjustments and (iii) $1.4 million for dealer return reserves and warranty. These increases were offset by a decrease of (i) $0.7 million in direct labor, manufacturing overhead, and freight, and (ii) $0.5 million due to reductions in inventory reserves and associated write-downs to net realizable value.

The decrease in direct labor encompasses both employee and subcontractor labor costs. The decrease in direct labor and overhead costs are primarily attributable to the mix of units sold during the quarter and the overhead and labor cost associated with the specific production period for the sold units. The increase in direct material costs is driven by an increase in units sold. A significant portion of the overhead costs incurred include indirect salaries, facility rent, utilities, and depreciation of production equipment, which are primarily fixed in nature and allocated based on production levels. Accordingly, these costs are still incurred when we experience a reduction in production volume. In the near term, we plan to increase production activities, expecting fixed and semi-fixed overhead costs to be absorbed through the production of our batteries and chassis.

General and Administrative

General and administrative expenses decreased by $2.6 million, or 23%, from $11.6 million in the three months ended March 31, 2023 to $9.0 million in the three months ended March 31, 2024, attributable to decreases of (i) $2.3 million in headcount and personnel cost for legal, finance, accounting, information technology and general and administrative functions, (ii) $0.8 million in insurance costs driven by cost efficiencies associated with a new broker, (iii) $1.1 million in professional fees, and (iv) $0.8 million in other operating expenses, including travel, recruiting, and facility costs. These decreases were offset by increases of (i) $0.3 million in depreciation expense due to the allocation of overhead costs, (ii) $0.1 million in stock-based compensation expense, and (iii) $2.0 million in severance expense related to the ElectraMeccanica acquisition.

Research and Development

Research and development expenses decreased by $2.7 million, or 47%, from $5.7 million in the three months ended March 31, 2023 to $3.1 million in the three months ended March 31, 2024. The change was primarily due to decreases of (i) $1.5 million in allocation of personnel costs driven by lower headcount in engineering, (ii) $0.9 million in equipment and material purchases due to fewer research and development projects in development year over year and (iii) $0.3 million in other research and development costs, including consulting and software.

Sales and Marketing

Sales and marketing expense decreased by $0.8 million, or 45%, from $1.8 million in the three months ended March 31, 2023 to $1.0 million in the three months ended March 31, 2024. The change was primarily due to decreases of (i) $0.7 million in allocation of personnel costs driven by lower headcount and (ii) $0.1 million in stock-based compensation expense.

Other Expense, net

Other expense, net decreased by $3.6 million, from $4.2 million in the three months ended March 31, 2023 to $0.6 million in the three months ended March 31, 2024. The change was attributable to decreases of (i) $1.9 million in net interest expense related to the Convertible Note and Convertible Debentures, including amortization of related discounts and issuance costs, primarily due to Convertible Debentures being fully repaid on December 4, 2023, (ii) $1.0 million for impairment on assets held for sale during the three months ended March 31, 2023 with no such comparable expense during the three months ended March 31, 2024, (iii) $0.5 million of redemption premiums related to prepayments on Convertible Debentures during the three months ended March 31, 2023 with no such comparable expense during the three months ended March 31, 2024, (iv) $0.1 million in amortization expense related to marketable debt securities, available-for-sale and (v) $0.1 million in other miscellaneous expenses.

Change in Fair Value of Derivatives

The loss on change in fair value of derivative instruments increased by $0.1 million, or 73%, from $0.1 million in the three months ended March 31, 2023 to $0.2 million in the three months ended March 31, 2024. The change in fair value in both periods is primarily attributable to the change in our stock price and the resulting valuation at the respective reporting period.

Change in Fair Value of Contingent Earn-out Interests Liability

The loss on the change in fair value of contingent earn-out shares liability decreased by $0.1 million from $0.1 million in the three months ended March 31, 2023 to $3,000 in the three months ended March 31, 2024. The change in fair value in both periods is primarily attributable to the change in our stock price and the resulting valuation at the respective reporting period.

Provision for Income Taxes

The Company recorded income tax provision of $5,000 and $2,000 during the three months ended March 31, 2024 and 2023, respectively.

Liquidity and Capital Resources

General

As of March 31, 2024, our principal sources of liquidity were our cash and cash equivalents of $46.2 million. Our access to capital under the SEPA is not available as of the date of this Report and will not be available until we file with the SEC a post-effective amendment to the Registration Statement on Form S-1 filed on July 27, 2023. Our short-term uses of cash are for working capital , and our long-term uses of cash are for working capital and to pay the principal of our indebtedness.

Under ASC Subtopic 205-40, Presentation of Financial Statements—Going Concern ("ASC 205-40"), we have the responsibilit y to evaluate whether conditions and/or events raise substantial doubt about our ability to meet our future financial obligations as they become due within one year of the financial statements included elsewhere in this Report. The result of our ASC 205-40 analysis, due to uncertainties discussed below, is that there is substantial doubt about our ability to continue as a going concern through the next 12 months from the date of the condensed consolidated financial statements in this Report.

As an early stage growth company, we have incurred net losses and cash outflows since our inception. We will continue to incur net losses and cash outflows in accordance with our operating plan as we continue research and development activities with respect to our vehicles and battery systems, and scale our operations to meet anticipated demand. As a result, our ability to access capital is critical and until we can generate sufficient revenue to cover our operating expenses, working capital and capital expenditures, we will need to raise additional capital in order to fund and scale our operations. These conditions and events raise substantial doubt about our ability to continue as a going concern.

In response to these conditions, we are currently evaluating different strategies to obtain the required funding for future operations. We have plans to secure and intend to employ various strategies to raise additional capital, such as through the SEPA and other capital raising strategies such as a combination of debt financing, other non-dilutive financing and/or equity financing, including through asset-based lending and/or receivable financing. However, the ability to access the SEPA is dependent on trading volumes and market price of our Common Stock. Additionally, collection on our outstanding accounts receivable will provide additional source of funding.

Based on our ability to raise funds through the strategies described above, the consummation of the Arrangement with ElectraMeccanica and our cash and cash equivalents as of March 31, 2024, we have concluded that it is probable that such proceeds would provide sufficient liquidity to complete the integration of ElectraMeccanica and fund operations for the next twelve months following the date of this Report. As a result, it is probable that our plans alleviate the substantial doubt about our ability to continue as a going concern for at least one year from the issuance of the consolidated financial statements.

Standby Equity Purchase Agreement

On March 23, 2022, we entered into a Standby Equity Purchase Agreement (“the SEPA”) with Yorkville, which was subsequently amended on June 22, 2023 (as amended, the "SEPA"), whereby we have the right, but not the obligation, to sell to Yorkville up to $125.0 million of its shares of Common Stock at our request any time until February 11, 2026, subject to certain conditions. As of March 31, 2024, the remaining commitment available under the SEPA was $119.5 million. We used the net proceeds received from sales of Common Stock pursuant to the SEPA for working capital and general corporate purposes and expect similar use of proceeds going forward. See Note 8 — Convertible Notes and Note 9 — Equity — Standby Equity Purchase Agreement in the accompanying unaudited condensed consolidated financial statements for more information regarding the SEPA, the Side Letter and the Securities Purchase Agreement.

Convertible Debt

On August 11, 2022 and September 21, 2022, we issued convertible debentures (as subsequently amended, the “Convertible Debentures”) to Yorkville in the aggregate principal amount of $35.0 million, with a maturity date of November 11, 2023, which may be extended to February 11, 2024. Also on August 11, 2022, we issued a convertible promissory note (as subsequently amended and restated, the “Convertible Note”) to Aljomaih Automotive Co. (“Aljomaih”) with a principal amount of $20.0 million and a maturity date of August 11, 2025. As of March 31, 2024, the aggregate principal amount of $20.0 million was outstanding on the Convertible Note. The Convertible Debentures were fully repaid on December 4, 2023. We have used the net proceeds from the Convertible Debentures and the Convertible Note for operational liquidity, working capital and general and administrative expenses and expect similar use of proceeds going forward.

The following table provides a summary of cash flow data *(in thousands)*:

	Three Months Ended March 31,	
	2024	**2023**
Net cash used in operating activities	$ (14,589)	$ (15,326)
Net cash provided by investing activities	51,325	22,812
Net cash used in financing activities	(1,093)	(9,672)
Net increase (decrease) in cash and cash equivalents	**$ 35,643**	**$ (2,186)**

Cash Flows from Operating Activities

Our cash flows from operating activities are significantly affected by the growth of our business primarily related to research and development and selling, general, and administrative activities and working capital needs to support growth in inventory reserves and fluctuations in accounts payable and other current assets and liabilities.

Net cash used in operating activities was $14.6 million for the three months ended March 31, 2024, primarily consisting of a net loss excluding non-cash expenses and gains of $7.1 million, and unfavorable net changes in operating assets and liabilities of $7.4 million.

Net cash used in operating activities was $15.3 million for the three months ended March 31, 2023, primarily consisting of a net loss excluding non-cash expenses and gains of $17.6 million, offset by net changes in operating assets and liabilities of $2.3 million.

Cash Flows from Investing Activities

Net cash provided by investing activities was $51.3 million for the three months ended March 31, 2024, due to net cash acquired in connection with the acquisition of ElectraMeccanica.

Net cash provided by investing activities was $22.8 million for the three months ended March 31, 2023, primarily consisted of net proceeds from the sale of investments in marketable debt securities of $23.1 million, offset by property and equipment purchases of $0.3 million.

Cash Flows from Financing Activities

Net cash used in financing activities was $1.1 million for the three months ended March 31, 2024, which primarily related to (i) equipment lease principal payments of $0.6 million, (ii) taxes paid relating to net-settlement of stock-based awards of $0.2 million, and (iii) outflow from net short-term insurance financing note activity of $0.3 million.

Net cash used in financing activities was $9.7 million for the three months ended March 31, 2023, primarily related to (i) payments for convertible notes of $9.5 million, (ii) equipment lease principal payments of $0.6 million, and (iii) taxes paid relating to net-settlement of stock-based awards of $0.4 million. This was offset by proceeds from net short-term insurance financing note activity of $0.8 million.

Contractual Obligations and Commitments

We did not have any material contractual obligations or other commitments as of March 31, 2024, other than what is disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined under the applicable rules and regulations of the SEC.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the balance sheet date, as well as reported amounts of revenues and expenses during the reporting periods. Our most significant estimates and judgments involve inventory valuation, incremental borrowing rates for assessing operating and financing lease liabilities, useful lives of property and equipment, earn-out shares liability, stock-based compensation, common stock warrant liability and product warranty liability. We base our estimates on historical experience and on various other assumptions believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates, and such differences could be material to our financial statements.

There were no material changes in our critical accounting policies, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

Recent Accounting Pronouncements

See Note 2 — Basis of Presentation and Summary of Significant Accounting Policies to our unaudited condensed consolidated financial statements included in this filing for more information about recent accounting pronouncements, the timing of their adoption, and our assessment, to the extent we have made one, of their potential impact on our financial condition and our results of operations.

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, inflation, and foreign currency exchange rates, as well as risks to the availability of funding sources, hazard events, and specific asset risks.

Inflation Risk

We monitor inflation and the effects of changing prices. Inflation increases the cost of goods and services used. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset these higher costs through price increases or mitigate the impact through alternative solutions. Our inability to do so could harm our business, financial condition and results of operations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Principal Executive Officer and Principal Financial Officer carried out evaluations of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2024. Based upon each of their evaluations, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective at the reasonable assurance level for the three months ended March 31, 2024, due to the material weaknesses in our internal control over financial reporting discussed below.

Material Weaknesses in Internal Controls Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Accordingly, a material weakness increases the risk that the financial information we report contains material errors. If we fail to remediate these material weaknesses, determine that our internal controls over financial reporting are not effective, discover areas that need improvement in the future or discover additional material weaknesses, these shortcomings could have an adverse effect on our business and financial results, and the price of our Common Stock could be negatively affected.

During the preparation of our Annual Report on our Form 10-K for the year ended December 31, 2023, we identified material weaknesses in internal controls related to the ineffective operation of controls related to inventory management and revenue recognition. As a result of these material weaknesses, management performed additional analysis as deemed necessary to ensure that our financial statements included in this Form 10-Q present fairly in all material respects our financial position, results of operations and cash flows for the periods presented.

Remediation of Material Weaknesses in Internal Control Over Financial Reporting

In order to remediate the material weaknesses in internal control over financial reporting related to the ineffective operation of controls related to inventory management and revenue recognition, management is implementing financial reporting control changes. Management is implementing remediation steps to improve its disclosure controls and procedures and its internal controls over financial reporting, including further documenting and implementing control procedures to address the identified risks of material misstatements, and implementing monitoring activities over such control procedures. We believe we are on schedule to remediate the material weaknesses during the year ended December 31, 2024. Remediation efforts to date include the following:

- Adding additional internal controls over the inventory and revenue processes
- Partnering with external consultants specializing in public company control compliance, to assess and implement additional controls over the inventory and revenue processes

To further remediate the material weaknesses, management, including the Chief Executive Officer and Chief Financial Officer, have reaffirmed and reemphasized the importance of internal controls, control consciousness and a strong control environment. We also expect to continue to review, optimize and enhance our financial reporting controls and procedures. These material weaknesses will not be considered remediated until the applicable remediated control operates for a sufficient period of time and management has concluded, through testing, that this enhanced control is operating effectively.

Changes in Internal Control over Financial Reporting

During the quarter ended March 31, 2024, we completed the acquisition of ElectraMeccanica. Prior to the acquisition, ElectraMeccanica was a public reporting company listed on Nasdaq. As part of our ongoing integration activities, we are continuing to incorporate our controls and procedures into ElectraMeccanica and to augment our company-wide controls to reflect the risks that may be inherent in acquisitions.

Other than our integration of the ElectraMeccanica business and the remediation efforts described above, there were no changes in the Company's internal control over financial reporting that occurred during the three months ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not currently a party to any legal proceedings, the outcome of which, if determined adversely to us, would individually or in the aggregate have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

Our risk factors are described in the "Risk Factors" section of our 2023 Form 10-K. Except as stated below, there have been no material changes to our risk factors since the filing of the 2023 Form 10-K.

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

On January 24, 2024, we received cash proceeds of $46,750 in connection with the issuance of 5,500 shares of Common Stock under the SEPA. The issuances of the securities in these transactions were made in reliance on the exemption from registration in Section 4(a)(2) under the Securities Act.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

(a) Exhibits.

Exhibit Number	Description
2.1	Arrangement Agreement by and between Xos, Inc. and ElectraMeccanica Vehicles Corp., dated as of January 11, 2024 (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on January 12, 2024).
2.2	Amendment Agreement by and between Xos, Inc. and ElectraMeccanica Vehicles Corp., dated as of January 31, 2024 (incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K filed on February 1, 2024).
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on August 26, 2021).
3.2	Certificate of Amendment to Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on December 6, 2023).
3.3	Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed on August 26, 2021).
10.1	Form of Voting Support and Lock-Up Agreement, dated as of January 11, 2024, by and between Xos, Inc. and certain holders of shares of common stock of Xos, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on January 12, 2024).
10.2	Form of Voting Support and Lock-Up Agreement, dated as of January 11, 2024, by and between Xos, Inc. and certain holders of shares of common stock of ElectraMeccanica Vehicles Corp. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on January 12, 2024).
31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104.0	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Exchange Act, and shall not be deemed to be incorporated by reference into any filing under the Securities Act, or the Exchange Act (whether made before or after the date of this Report), irrespective of any general incorporation language contained in such filing.

SIGNATURES

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, thereunto duly authorized.

	XOS, INC.	
Date: May 15, 2024	By:	/s/ Dakota Semler
	Name:	Dakota Semler
	Title:	Chief Executive Officer (Principal Executive Officer)
Date: May 15, 2024	By:	/s/ Liana Pogosyan
	Name:	Liana Pogosyan
	Title:	Acting Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Dakota Semler, certify that:

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

Date: May 15, 2024

/s/ DAKOTA SEMLER

Dakota Semler

Chief Executive Officer

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Liana Pogosyan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Xos, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024	/s/ LIANA POGOSYAN
	Liana Pogosyan
	Acting Chief Financial Officer
	(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Xos, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dakota Semler, the Chief Executive Officer of the Company, and I, Liana Pogosyan, the Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2024

/s/ DAKOTA SEMLER
Dakota Semler
Chief Executive Officer
(Principal Executive Officer)

/s/ LIANA POGOSYAN
Liana Pogosyan
Acting Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Xos, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.