

Evolv - Supporting Customers Under a New Constraint

Internal ID: S&F-STR-237

Topic: Customer Strategy, Risk Management, Operations Strategy

Industry: Electronic Equipment & Instruments

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: 23 January 2025, end of day ET

Decision scope: Hypothetical customer-response design during individualized cancellation windows

Case version: Final, 3 October 2026

Case convention: This is an author-created classroom exercise. The resource-allocation choice is hypothetical; company disclosures are historical. It does not represent a disclosed board vote, internal budget conflict, or customer negotiation.

The decision

On 23 January 2025, Evolv Technologies Holdings, Inc. issued a business update while a court-entered order gave a defined group of school customers a temporary right to cancel their Evolv Express contracts. The company said no eligible customer had exercised the right as of that date and that the “vast majority” of those rights were scheduled to expire by 14 March. The date was not a common deadline: each customer’s notice and response timing mattered. [P2, lines 33-36; P4, §II and Attachment A]

Evolv’s chief executive had also said the company planned to optimize operating expenses while continuing to prioritize customer-service excellence. The company had not disclosed a customer-support budget, quantified savings plan, or customer-by-customer cancellation risk. [P3, lines 49-57]

Assignment: Assume you are advising Evolv on how to allocate scarce customer-support, operational-evidence, and communications capacity during the next phase of the cancellation window. Choose a response policy: high-touch customer support, a compliance-and-evidence-led approach, or a targeted combination. Explain who receives added attention, what staff may say or demonstrate, how the company will protect customer rights, and what information should trigger a change in approach. The alternatives are classroom constructs, not management proposals. Do not assume a fixed budget or that customers are deciding for the same reason.

Use only the cited written information available by the cutoff. The information set includes the 23 January SEC filing and its exhibits plus earlier cited court and company disclosures. Exhibit 99.2 contains the CEO’s prepared remarks, not unscripted call remarks or Q&A. [P1-P6]

The customer right and its boundary

The court entered a stipulated order on 5 December 2024. Under the order, a limited cohort of K-12 schools and districts that contracted for Evolv Express during a specified period could receive notice and cancel within an individual 60-day window. The order's definition also excludes certain customers, including qualifying long-term pilots, customers purchasing 15 or more units, and specified later deployments. It does not create a blanket refund or rescission right. [P4, Doc. 19, Definitions C and §§II(A)-(D), printed pp. 3, 5-6; Attachment A, printed p. 13]

The order also restricts product-performance representations. A covered claim must be non-misleading and supported, when made, by competent and reliable evidence sufficient under standards generally accepted in the relevant fields. The order identifies claims about detection, harmless-item disregard, accuracy, false alarms, screening speed, labor costs, testing, and product efficacy or performance. The defendant neither admitted nor denied the complaint allegations except as stated in the order. [P4, Doc. 19, findings ¶¶2-3, printed p. 3; §I, printed pp. 4-5]

Evolv's update reported 237 units associated with the eligible-customer group, approximately \$3.9 million of annual recurring revenue (ARR), and \$10.5 million of remaining performance obligations (RPO). These company-defined, preliminary measures describe the group; they are not a forecast of cancellations, lost cash, or recognized revenue. [P2, lines 33-36, 45-50]

The operating context

Evolv reported preliminary fourth-quarter estimates of more than 6,000 Evolv Express units deployed, about 470 new multi-year subscriptions, about 60 new customers, nearly 100 additional school buildings, and more than 30 additional hospital buildings. These estimates remained subject to the company's restatement work. [P2, lines 13-24, 28-30, 44]

At 31 December 2024, the company estimated approximately \$52 million in cash, cash equivalents, marketable securities, and restricted cash, with no debt. The combined balance is not an unrestricted-cash figure. The company reaffirmed targets for positive adjusted EBITDA by the second quarter of 2025 and positive free cash flow in the fourth quarter of 2025; these were forward-looking, non-GAAP measures, not achieved results. [P2, lines 9-12, 25-27, 37-43]

The board had determined on 24 October that certain earlier financial statements should no longer be relied upon and delayed filings while an investigation proceeded. In November, an independent committee reported estimated premature or incorrect revenue recognition of \$4-\$6 million through 30 June 2024 and said the errors had no cash impact. This accounting investigation was separate from the FTC matter. As of January, the restatement remained in progress. [P5, Item 4.02(a), lines 86-100; P6, lines 35-46, 50-55; P2, lines 28-30]

The prepared CEO remarks described plans to "get leaner" and optimize operating expenses, while continuing to prioritize customer-service excellence. The CEO expected the cost changes to improve cash flow without reducing organizational effectiveness. No amount, timetable, customer-support reduction, or operational consequence was specified. [P3, lines 49-57]

Three classroom response policies

A. High-touch continuity. Assign named contacts to eligible customers, respond quickly to customer-raised concerns, and document service issues and requests. Use this approach to protect continuity and learn why customers are weighing their options. Do not imply that support can change the order's rights or make unsupported product-performance claims.

B. Compliance and evidence first. Concentrate incremental capacity on correct notices, complaint handling, records, and a reviewable inventory of claims and supporting evidence. Provide the service already required by contract and law, but avoid broad new outreach or demonstrations unless requested or adequately supported. This protects accuracy and operating capacity, while accepting that some customers may disengage or cancel.

C. Targeted, staged response. Maintain baseline service for all customers and offer additional help when a customer requests it or a documented operational issue warrants it. Use customer-specific discovery and a small, time-limited service/evidence trial before expanding. Define a review date and measures, but do not assume an unreported budget, customer segment, or product result.

These options are not claims about Evolv's actual internal plans. Any recommended communication must preserve the customer's cancellation right, follow the court order's notice requirements, and comply with the order's substantiation standard. Customer-specific cancellation dates, service costs, reasons for purchase or cancellation, and product-efficacy data are not supplied.

Questions for discussion

1. Which customer or operational signals should determine where added support goes? What would be unfair or misleading to infer from the reported cohort figures?
2. Which response policy would you choose? What is the strongest argument against it?
3. What can staff responsibly say, show, or promise under the court order? What evidence would be needed before a performance claim is used?
4. How should Evolv balance customer service, cash discipline, accurate financial reporting, and operational learning without assuming a known budget or cancellation cause?
5. What should management measure during the response, and what result would cause it to revise the policy?

Submit a two-page recommendation. State the option, implementation sequence, customer-rights safeguards, measures, review horizon, and reversal conditions. Any resource limits, segmentation rules, or milestones you introduce are classroom assumptions and must be labeled as such.

Public sources

P1. Evolv Technologies Holdings, Inc., [Form 8-K filing index](#), filed 23 January 2025, accession 0001628280-25-002293, accepted 07:58:06 ET.

P2. Evolv, [Exhibit 99.1, "Evolv Technology Provides Business Update"](#), 23 January 2025. SEC HTML line locators cited above.

P3. Evolv, [Exhibit 99.2, "Transcript of Chief Executive Officer Prepared Remarks"](#), 23 January 2025. Prepared remarks; not unscripted call remarks or Q&A.

P4. *FTC v. Evolv Technologies Holdings, Inc.*, [Doc. 19, Stipulated Order for Permanent Injunction and Other Relief](#), Case 1:24-cv-12940-PGL, SO ORDERED and filed 5 December 2024. The PDF also contains a motion and proposed order; cited provisions refer to the entered Doc. 19.

P5. Evolv, [Form 8-K](#), filed 25 October 2024, accession 0001104659-24-111310, Item 4.02(a), lines 86-100.

P6. Evolv, [Exhibit 99.1, “Ad Hoc Committee Provides Update on Investigation”](#), 21 November 2024, lines 35-55.

Historical disclosures are attributed to the company, committee, court, or regulator as appropriate. Preliminary figures are not audited or restated results. No post-cutoff cancellation, financial, or operational outcome is included.