

reMarkable Invest Group

Interim Financial Report Q2 | 2024

reMarkable

Words from the CEO

While we continue to see good market growth for paper tablets, in Q2, we missed our revenue forecast. A combination of factors contributed to this including: a shifting revenue mix away from direct-from-reMarkable to resellers, a transition to a new reseller distributor to better manage that transition, and competitor discounting.

Combined with several one-off adjustments from last year, the result was that, despite moderate unit volume growth, revenues declined by around 8% on a YoY basis.

Considering the investments we've been making, we expect a significant increase in demand in Q3 and especially Q4. In preparation for this growth, we completed the implementation of SAP as our new ERP. This will serve us well as we continue to drive growth and overall consumer adoption of paper tablets.

Best,
Phil Hess
CEO



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Executive summary

Q2 2024 highlights

Revenues

Year-on-year decline of 8% partially driven by one-off impact of Type Folio launch last year, continued shift in our channel mix as well as a reconfiguration of our reseller distribution which has slowed down order intake towards summer (we expect this to pick up again in the fall).

Unit volume was up by 6% over the same period.

Gross margin

Gross Margin has remained relatively stable at 44%. Note that under IFRS, customs and duties are no longer reported on our P&L, which has increased our reported Gross Margin by approx. 3% in this quarter relative to how it would previously have been reported under NGAAP.

EBITDA

Year-on-year decline is primarily explained by lower revenues YoY as well as continued development of the organization and investment into product development.

Cash, Net Interest-Bearing Debt and Covenants

Our Cash balance declined by USD 5.3m during the quarter reflecting the continued investments into product development and system architecture.

As at the end of the quarter reMarkable has a Net Interest-Bearing Debt ³ position of USD 8.4m and is in compliance with all covenants ⁴.

Key figures	Q2 2024 ¹	Q2 2023 ¹	Year-over-year change
Total revenues	USD 71.7m	USD 77.9m	(8)%
Gross margin	44%	43%	1 pp.
EBITDA	USD 5.3m	USD 11.1m	(52)%
EBITDA margin	7.4%	14.3%	(6.9) pp.
Cash and Cash Equivalents ²	USD 66.5m	USD 37.8m	76%
Net Interest-Bearing Debt ³	USD 8.4m	USD (13.7)m	USD 22.1m

¹) Condensed consolidated financial statements are unaudited and have been prepared in accordance with IFRS at reMarkable Invest AS level. The reMarkable Group (herewith referred to as "reMarkable") comprise of the parent company, reMarkable Invest AS, and the fully-owned subsidiary and operating company, reMarkable AS.

²) In addition, reMarkable has access to an undrawn, uncommitted supply chain facility of USD 25m.

³) Net Interest-Bearing Debt defined as Interest-Bearing Debt less Cash and Cash Equivalents.

⁴) Bond covenants require reMarkable to i) maintain liquidity of no less than NOK 100m at all times and ii) maintain an LTM EBITDA of no less than NOK 150m or a Leverage Ratio no greater than 4.0:1

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Interim Condensed Consolidated Financial Statements

Interim condensed consolidated statement of comprehensive income

USDm	Q2-24	Q2-23	1H-24	1H-23
Sales revenue	64.7	73.1	144.7	137.8
Subscription revenue	6.9	4.8	13.4	9.6
Total operating revenue	71.7	77.9	158.1	147.5
Cost of materials	(38.1)	(40.5)	(83.2)	(78.4)
Employee benefit expenses	(8.1)	(7.1)	(21.3)	(17.0)
Other operating expenses	(20.2)	(19.2)	(42.4)	(36.6)
Depreciation & amortisation	(4.1)	(2.3)	(7.5)	(4.4)
Operating profit/(loss)	1.2	8.9	3.6	11.2
Financial income	0.5	0.1	1.2	0.3
Financial expenses	(2.2)	(0.4)	(4.4)	(1.0)
Other financial gains/(losses)	1.4	2.4	1.2	(0.1)
Net financial result	(0.2)	2.1	(2.1)	(0.7)
Profit/(loss) before income tax	1.0	11.0	1.5	10.5
Income tax expense	0.2	(2.7)	(0.0)	(2.6)
Profit/(loss) for the period	1.2	8.3	1.5	7.9

Interim condensed consolidated statement of financial position (1/2)

USDm	Jun-24	Dec-23
Non-current assets		
Intangible assets ⁴	51.9	43.0
Property, plant and equipment	34.9	4.2
Net deferred tax assets	0.5	0.5
Other non-current financial assets	6.7	5.4
Total non-current assets	93.9	53.1
Current assets		
Inventories	121.3	42.1
Trade receivables	13.4	9.8
Other current assets	9.0	5.5
Cash and cash equivalents	66.5	93.5
Total current assets	210.1	150.8
Total assets	304.0	203.9

Interim condensed consolidated statement of financial position

(2/2)

USDm	Jun-24	Dec-23
Share capital	0.3	0.3
Share premium	25.5	25.5
Retained earnings	30.5	29.0
Other equity	2.1	2.1
Total equity	58.4	56.9
Borrowings	45.8	47.7
Lease liabilities ⁵	25.9	-
Non-current provisions	0.0	-
Total non-current liabilities	71.8	47.7
Trade and other payables	27.8	32.8
Lease liabilities (current portion) ⁵	1.9	0.1
Borrowings	1.2	1.3
Current tax liabilities	3.5	4.5
Current provisions	1.2	2.1
Other current liabilities ⁶	138.1	58.3
Total current liabilities	173.8	99.2
Total equity and liabilities	304.0	203.9

Interim condensed consolidated statement of cash flows

USDm	H1-24	H1-23
Profit/(loss) before income tax	1.5	10.5
Adjustments for:		
Depreciation & amortization	7.5	4.4
Net financial income and expenses	3.2	0.7
Net foreign exchange differences	(3.1)	(0.2)
Working capital changes	(14.6)	(26.0)
Income tax Paid	(0.7)	(0.8)
Interests received	1.2	0.3
Net cash flow from operating activities	(5.0)	(11.0)
Expenditures on intangible assets	(12.5)	(10.6)
Payment of deposits	(1.7)	-
Expenditures on PPE	(2.7)	(0.6)
Net cash flow from investing activities	(16.9)	(11.2)
Interests paid	(4.3)	(0.9)
Cash receipt from borrowings	-	9.0
Principal portion of lease liabilities	(0.9)	(0.5)
Group contribution	-	(0.1)
Net cash flow from investing activities	(5.2)	7.5
Net change in cash & cash equivalents	(27.0)	(14.8)
Cash and cash equivalents BoP	93.5	52.6
Cash and cash equivalents EoP	66.5	37.8

Interim condensed consolidated statement of changes in equity

USDm	Share capital	Share premium	Retained earnings	Other equity	Total equity
Balance at 1 January 2023	0.3	25.5	8.6	2.1	36.5
Profit/(loss) for the period	-	-	7.9	-	7.9
Group contribution	-	-	(0.1)	-	(0.1)
Balance at 30 June 2023	0.3	25.5	16.4	2.1	44.3
Balance at 31 December 2023	0.3	25.5	29.0	2.1	56.9
Profit/(loss) for the period	-	-	1.5	-	1.5
Balance at 30 June 2024	0.3	25.5	30.5	2.1	58.4

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Notes to the Interim Condensed Consolidated Financial Statements

Notes to the Interim Condensed Consolidated Financial Statements

1. Corporate Information

These interim condensed consolidated financial statements of reMarkable Invest AS, for second quarter and six month period ended 30 June 2024, were authorized for issue in accordance with a resolution of the board of directors on 29 August 2024.

reMarkable Invest AS ("the Company") is the parent company in the reMarkable Invest Group (referred to as "reMarkable", "reMarkable Invest Group"), whose main subsidiary is reMarkable AS. reMarkable AS is the operating entity of the reMarkable Invest Group and is a Norwegian company that develops, markets, and sells consumer electronics products termed 'paper tablets' and associated accessories. The registered office of reMarkable Invest AS is located at Fridtjof Nansens vei 12 in Oslo, Norway.

2. Basis of preparation

These interim condensed consolidated financial statements for the second quarter and six month period ended 30 June 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting. Therefore, these interim condensed consolidated financial statements do not include all required disclosures required by IFRS® Accounting Standards for a complete set of annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023.

The Group has applied consistent accounting policies with respect to the 2023 annual financial statements. For the interim periods, income tax expense is recognized based on the Group's best estimate of the weighted average effective annual income tax rate expected for the full financial year. For the first half-year of 2024, the applied effective tax has been 1% (2023:23%). The reason for the fluctuation is that the functional currency of the companies within the Group is USD while, under the Norwegian taxation system, taxes should be calculated based on NOK being functional currency. Therefore, the fluctuation in the exchange rate between NOK and USD has an effect on the effective tax rate of the Group.

The business of the Group is subject to seasonality, where higher sales and operating profits are usually expected during the fourth quarter of the year. The reason for such peaks is mainly the increased demand for devices such as reMarkable's during the November and December months. However, the Group does not consider its operations to be highly seasonal in accordance with IAS 34.

All amounts are presented in USD million unless otherwise stated.

These condensed interim consolidated financial statements are not audited.

Notes to the Interim Condensed Consolidated Financial Statements

3. Revenue from contract with customers

USDm	Q2-24	Q2-23	1H-24	1H-23
Revenue by major class of products				
Sales of devices and accessories (point in time)	64.7	73.1	144.7	137.8
Sale of subscriptions (over time)	6.9	4.8	13.4	9.6
Total revenue from contracts with customers	71.7	77.8	158.0	147.4

4. Intangible assets

The additions during the first half of 2024 are due to the continuation of the ongoing development projects at 31 December 2023, which mainly related to development costs associated with the improvements made on existing products and development of new products, accessories and software.

At the beginning of the second quarter of 2024, the Group successfully completed significant parts of its enterprise resource planning (ERP), supply chain and customer management systems' implementation, and therefore the Group started amortizing those assets.

Notes to the Interim Condensed Consolidated Financial Statements

5. Leases

At the beginning of 2024, the Group commenced its lease agreement for its main headquarters in Oslo. This lease has a non-cancellable period of 10 years. Additionally, the lease agreement includes an extension option at reMarkable's discretion. The Group does not consider reasonably certain to exercise this option based on current facts and circumstances, and considerations on future capacity needs of the business. This lease agreement resulted in the recognition of right-of-use assets and lease liabilities amounting to USD 30.9 million and USD 29.5 million, respectively.

The potential future cash outflows from the extension option not reflected in the measurement of the lease liability amounts to USD 12.8 million, on an undiscounted basis.

The contract does not contain variable lease payments and it is updated in accordance with consumer price index. The Group separated non-lease components, mainly services in the building.

As this lease agreement is denominated in NOK, the evolution of the exchange rates between USD and NOK will have an effect on the amounts presented in the consolidated statements of financial position and performance.

6. Other current liabilities

The increase in other current liabilities mainly relates to inventory commitments at 30 June 2024, amounting to USD 93 million. The level of inventory commitments is considered normal within the Group's ordinary course of business.

Notes to the Interim Condensed Consolidated Financial Statements

7. Events after the reporting period

The Group is not aware of any significant events after the end of the reporting period.