reMarkable

# Interim Consolidated Financial Statements

## Q1 2024

# Words from the CEO

## *Strong start to 2024 driven by continued growth in third party retail sales*

Coming off a strong 2023 I am pleased to report that we continue to reap the benefit of our expansion into third-party retail with close to 25% year-on-year growth for the first quarter of 2024.

Performance has been particularly strong in the US where Best Buy and Amazon have become important contributors. These are still relatively new channels for reMarkable and we believe there is a lot of potential for continued improvement as we gain more experience.

We continue to invest into developing new products and systems. During the quarter we transitioned to a new cloud-based ERP system (SAP) which is key to enable our growth ambitions and a tremendous achievement by the team. We also launched a pilot of the B2B version of our Connect subscription service - an important stepping stone towards providing more value for our business users in the years to come.

During February we moved into our new campus. This new, purpose-designed building has allowed us to bring together our employees from 4 separate locations - strengthening not only the reMarkable team culture but also improving our ability to collaborate and the speed at which we deliver value to our customers.

Finally, please note that we have for the full year of 2023 and onwards changed our accounting standard from Norwegian GAAP to IFRS and, as part of that, our functional currency to USD. This is a prerequisite for the upcoming listing of our Bond and a significant step forward in the sophistication of our financial reporting.

Best,

Phil Hess
CEO

reMarkable

*Part 1*

# Executive summary

# Q1 2024 highlights

**Revenues**
Robust growth in Q1 as reMarkable continues to grow into the retail channel while maintaining our strong position in the direct channel.

**Gross margin**
Gross margin for Q1 2024 is in-line with FY23 levels.

**EBITDA**
Q1 EBITDA of USD 5.8m is up year-over-year (31%). This is largely driven by increased revenues year-over-year.

**Cash, Net Interest-Bearing Debt and Covenants**
Despite an increase in EBITDA, Cash and cash equivalents has decreased compared to the previous financial year. This is primarily due to an increase in Working Capital which is partly expected to be reversed in Q2.

As at the end of the quarter reMarkable has a Net Interest-Bearing Debt[3] position of USD 2.3m and is in compliance with all covenants[4]. Note that Net-Interest Bearing Debt has seen a significant shift since the previous quarter, as the leases related to the new office (classified under IFRS 16) are now counted towards the calculation.

| Key figures | Q1 2024 [1] | Q1 2023 [1] | Year-over-year change |
|---|---|---|---|
| Total revenues | USD 86.5m | USD 69.7m | 24% |
| Gross margin | 42.6% | 38.5% | 4.1 pp. |
| EBITDA | USD 5.8m | USD 4.4m | 31% |
| EBITDA margin | 6.7% | 6.3% | (0.4) pp. |
| Cash and Cash Equivalents [2] | USD 71.8m | USD 93.5m | (23)% |
| Net Interest-Bearing Debt [3] | USD 2.3m | USD (43.9) | USD 46m |

1) Consolidated financial statements are unaudited and have been prepared in accordance with IFRS at rM Invest 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

*Part 2*

# Interim Consolidated Financial Statements

# Interim condensed statement of comprehensive income

| USDm | Q1-24 | Q1-23 |
|---|---|---|
| Sales revenue | 80.0 | 64.8 |
| Subscription revenue | 6.5 | 4.9 |
| **Total operating income** | **86.5** | **69.7** |
| | | |
| Cost of materials | (45.1) | (37.9) |
| Employee benefit expenses | (13.3) | (9.9) |
| Other operating expenses | (22.2) | (17.4) |
| Depreciation & amortisation | (3.4) | (2.1) |
| **Operating profit/(loss)** | **2.4** | **2.3** |
| | | |
| Financial income | 0.6 | 0.2 |
| Financial expenses | (2.2) | (0.5) |
| Other financial gains/(losses) | (0.3) | (2.5) |
| **Net financial result** | **(1.9)** | **(2.8)** |
| | | |
| **Profit/(loss) before income tax** | **0.5** | **(0.5)** |
| | | |
| Income tax expense | (0.2) | 0.1 |
| **Profit/(loss) for the period** | **0.3** | **(0.4)** |

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

| USDm | Mar-24 | Dec-23 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 45.7 | 43.0 |
| Property, plant and equipment | 34.8 | 4.2 |
| Net deferred tax assets | 0.2 | 0.5 |
| Other non-current financial assets | 6.6 | 5.4 |
| **Total non-current assets** | **87.3** | **53.1** |
| | | |
| **Current assets** | | |
| Inventories | 43.1 | 42.1 |
| Trade receivables | 28.6 | 9.8 |
| Other current assets | 9.6 | 5.5 |
| Cash and cash equivalents | 71.8 | 93.5 |
| **Total current assets** | **153.1** | **150.8** |
| | | |
| **Total assets** | **240.4** | **203.9** |

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

| USDm | Mar-24 | Dec-23 |
|---|---|---|
| Share capital | 0.3 | 0.3 |
| Share premium | 25.5 | 25.5 |
| Retained earnings | 29.3 | 29.0 |
| Other equity | 2.1 | 2.1 |
| **Total equity** | **57.2** | **56.9** |
| | | |
| Borrowings | 46.3 | 47.7 |
| Lease liabilities | 26.0 | - |
| Non-current provisions | 0.0 | - |
| **Total non-current liabilities** | **72.4** | **47.7** |
| | | |
| Trade and other payables | 37.8 | 32.8 |
| Lease liabilities (current portion) | 1.8 | 0.1 |
| Borrowings | - | 1.3 |
| Current tax liabilities | 3.8 | 4.5 |
| Current provisions | 2.4 | 2.1 |
| Other current liabilities | 64.9 | 58.3 |
| **Total current liabilities** | **110.8** | **99.2** |
| | | |
| **Total equity and liabilities** | **240.4** | **203.9** |

# Interim condensed consolidated statement of cash flows

| USDm | Q1-24 | Q1-23 |
|---|---|---|
| Profit/(loss) before income tax | 0.5 | (0.5) |
| **Adjustments for:** | | |
| Depreciation & amortization | 3.4 | 2.1 |
| Net financial income and expenses | 1.6 | 0.4 |
| Net foreign exchange differences | (5.5) | (0.7) |
| Working capital changes | (12.3) | (8.3) |
| Interests received | 0.6 | 0.2 |
| **Net cash flow from operating activities** | **(11.6)** | **(6.7)** |
| | | |
| **Net cash flow from investing activities** | **(7.5)** | **(6.0)** |
| | | |
| **Net cash flow from financing activities** | **(2.6)** | **(2.2)** |
| | | |
| Net increase/(decrease in cash and cash equivalents | (21.7) | (14.9) |
| Cash and cash equivalents at beginning of period | 93.5 | 52.6 |
| Cash and cash equivalents at end of period | 71.8 | 37.7 |

# 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 | - | - | (0.4) | - | (0.4) |
| **Balance at 31 March 2023** | **0.3** | **25.5** | **8.2** | **2.1** | **36.1** |
| | | | | | |
| **Balance at 1 January 2024** | **0.3** | **25.5** | **29.0** | **2.1** | **56.9** |
| Profit/(loss) for the period | - | - | 0.3 | - | 0.3 |
| **Balance at 31 March 2024** | **0.3** | **25.5** | **29.3** | **2.1** | **57.2** |

*Part 3*

# Notes to the interim consolidated financial statements

# Notes to the Interim Consolidated Financial Statements

## 1. Corporate Information

These interim condensed consolidated financial statements of reMarkable Invest AS, for the 3 month period ended 31 March 2024, were authorized for issue in accordance with a resolution of the board of directors on 28 May 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 3 months period ended 31 March 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 recognised 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 quarter of 2024, the applied effective tax has been 32% (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 Consolidated Financial Statements

## 3. Revenue from contracts with customers

| USDm | Q1-24 | Q1-23 |
|---|---|---|
| **Revenue by major class of products** | | |
| Sales of devices and accessories (point in time) | 80.0 | 64.8 |
| Sale of subscriptions (over time) | 6.5 | 4.9 |
| **Total revenue from contracts with customers** | **86.5** | **69.6** |

## 4. Intangible assets

The additions during the first quarter 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.

Towards the end of the first 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 expects an increase in amortization during the second quarter of 2024 onwards.

# Notes to the Interim Consolidated Financial Statements

## 5. Leases

At the beginning of the first quarter 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 it  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. Events after the reporting period

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