

# Q2 results

**August 21<sup>st</sup>, 2024**

Emma Tryti, CEO

Magnus Bekkelund, Interim CFO



# Q2 highlights

**Consumer segment: Revenues of USD 6.8m, up 37% y-o-y** driven by strong underlying demand across all channels. Particularly strong growth in North America.

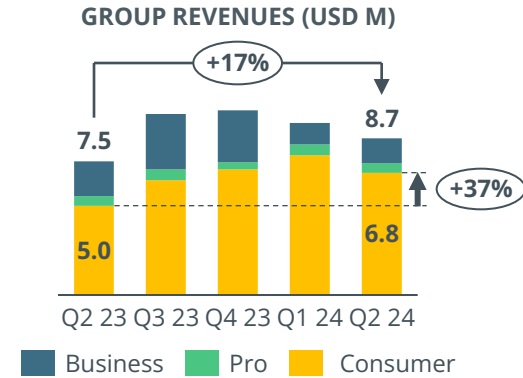
**89% YoY growth in airthings.com**, with direct sales channel accounting for nearly 20% of consumer revenues in the quarter.

**Gross margin stable at 62%** despite significantly higher share of revenues from the Consumer segment.



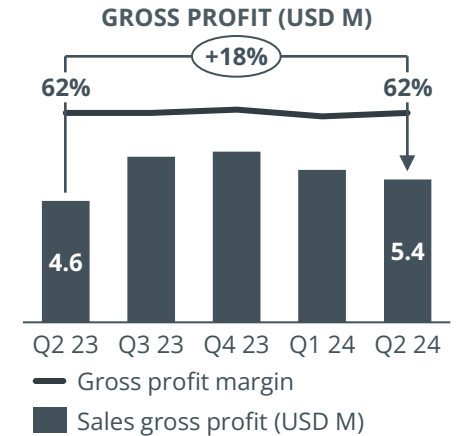
## Q2 revenues of USD 8.7M

up 17 percent YoY, driven by strong underlying consumer demand. Continued challenging market conditions in the Business segment.



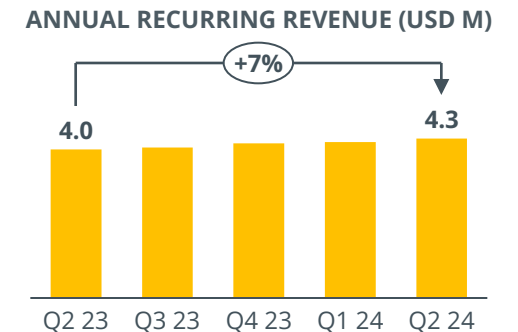
## Q2 gross profit of USD 5.4M

up 18 percent from USD 4.6 million in Q2 23, with stable gross margin despite changes in segment mix.

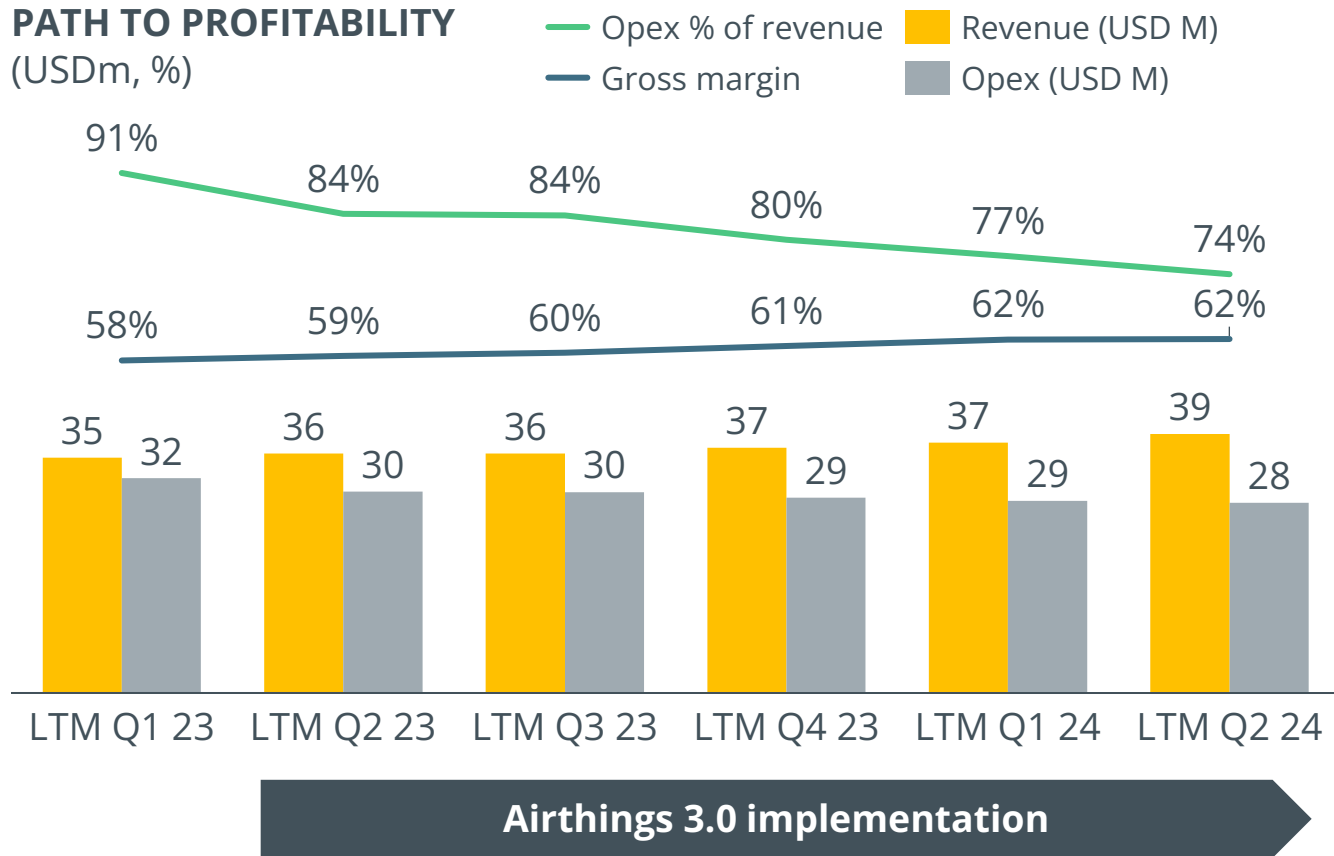


## Q2 total ARR of USD 4.3M

up 7 percent YoY supported by increased software sales and low churn in the Business segment.



# Progressing on our path to profitability



## LTM development since Q2 23

Revenue growth +8%

Gross margin expansion +3%-points

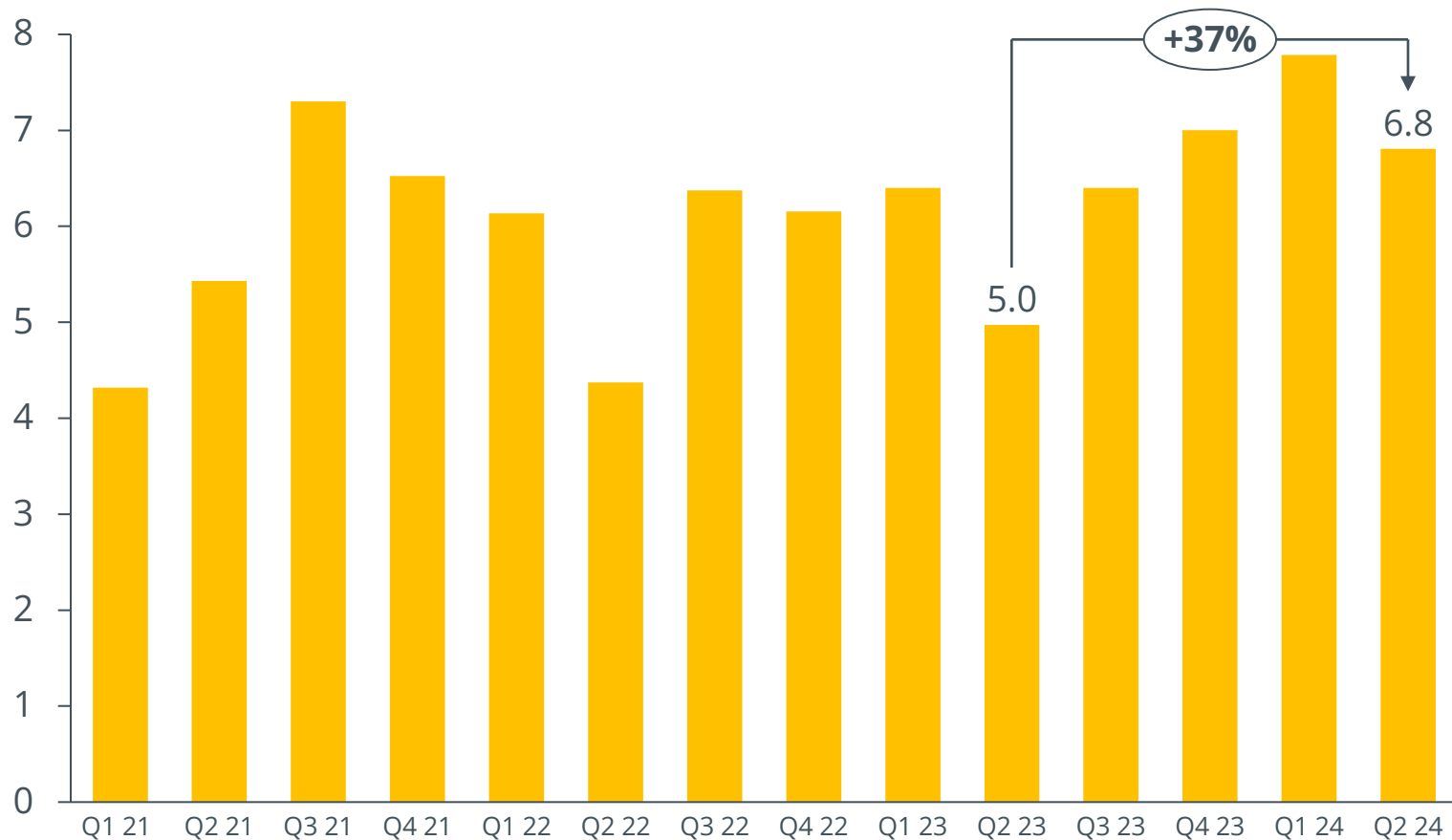
OPEX to revenues -10%-points

EBITDA margin +14%-points

# Consumer revenues +37% y-o-y

Consumer segment Q2 update

## Consumer Sales Revenues (USD M)



## Positive developments in seasonally slow quarter

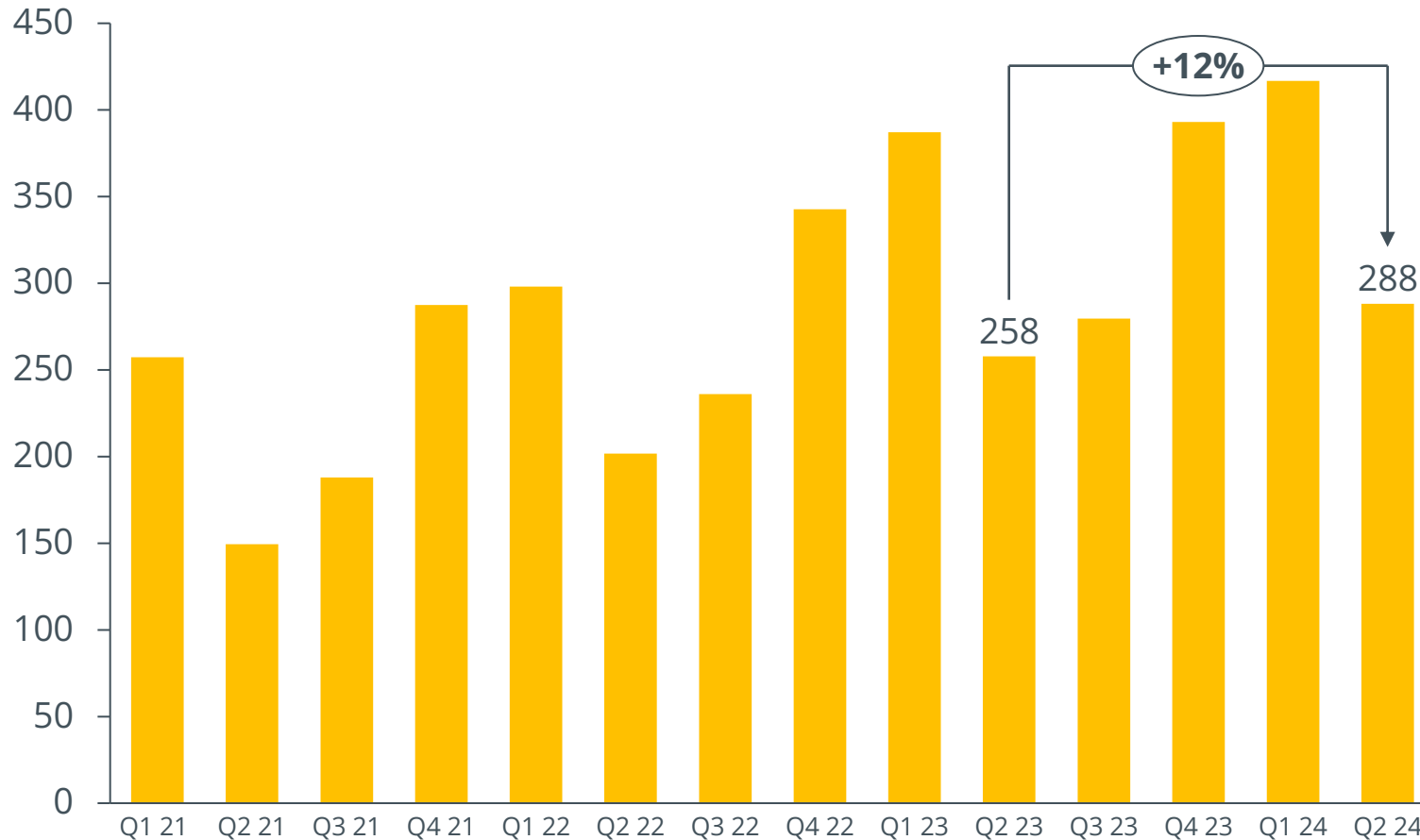
- 89% growth in the direct sales channel Airthings.com, accounting for nearly 20% of Consumer sales in the quarter.
- Continued solid partnerships with Amazon, Home Depot and other retailers.
- Strong growth in North America; Canada up 40%.

# Consumer device registrations +12% y-o-y

Consumer segment Q2 update

## Consumer device registrations

(Indexed – Q1 20 = 100)



## Strengthened customer loyalty

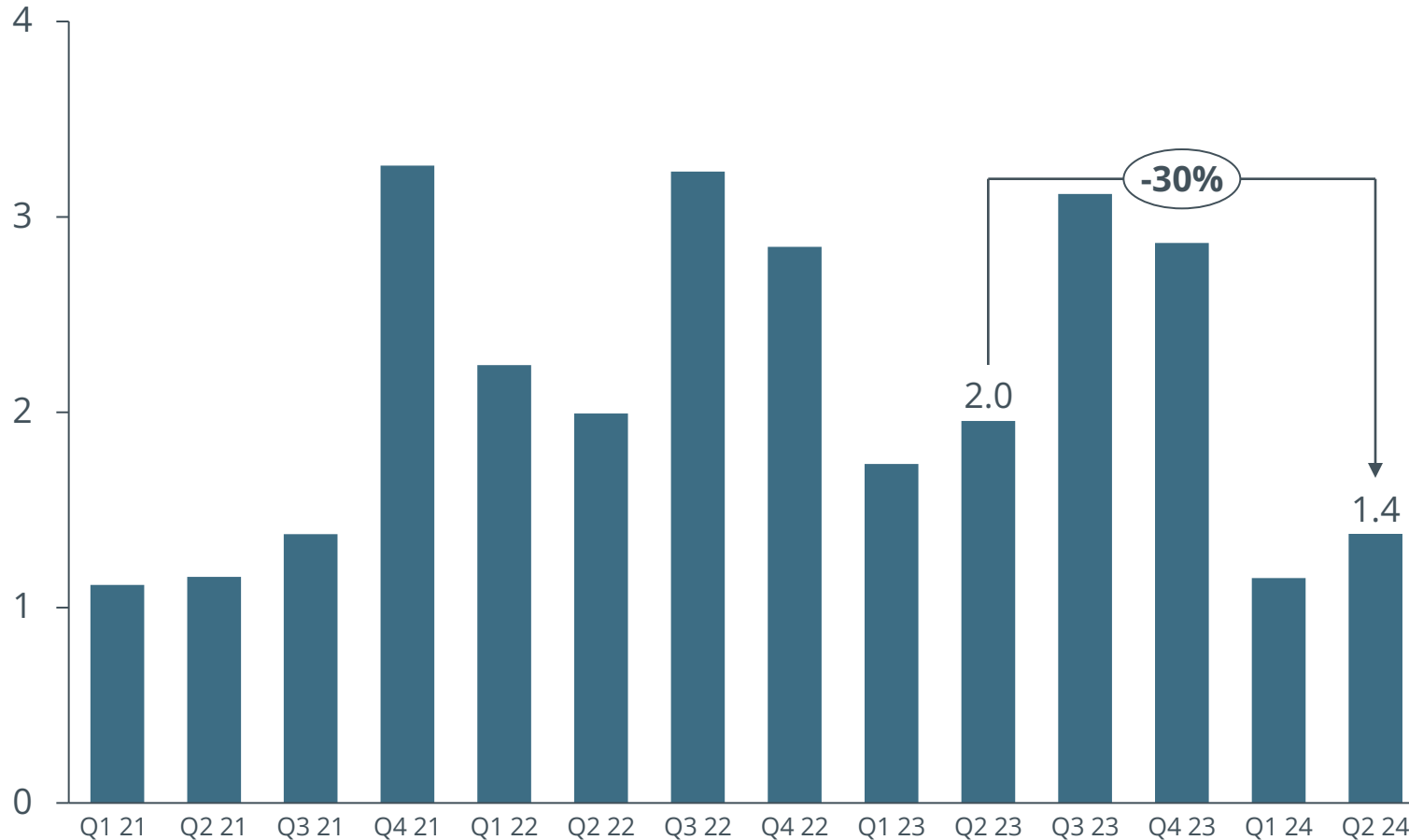
- New device registrations for connected products rose 12% y-o-y, up from a high level in Q2 23 following extensive promotional activities last year.
- Repeat sales accounted for 26% of total sales, indicating customer satisfaction and loyalty.
- View Plus continued to be the most popular second purchase.

# Business segment revenues down 30% y-o-y in slow quarter

Business segment Q2 update

## Business Sales Revenues

(USD M)



### No major shipments

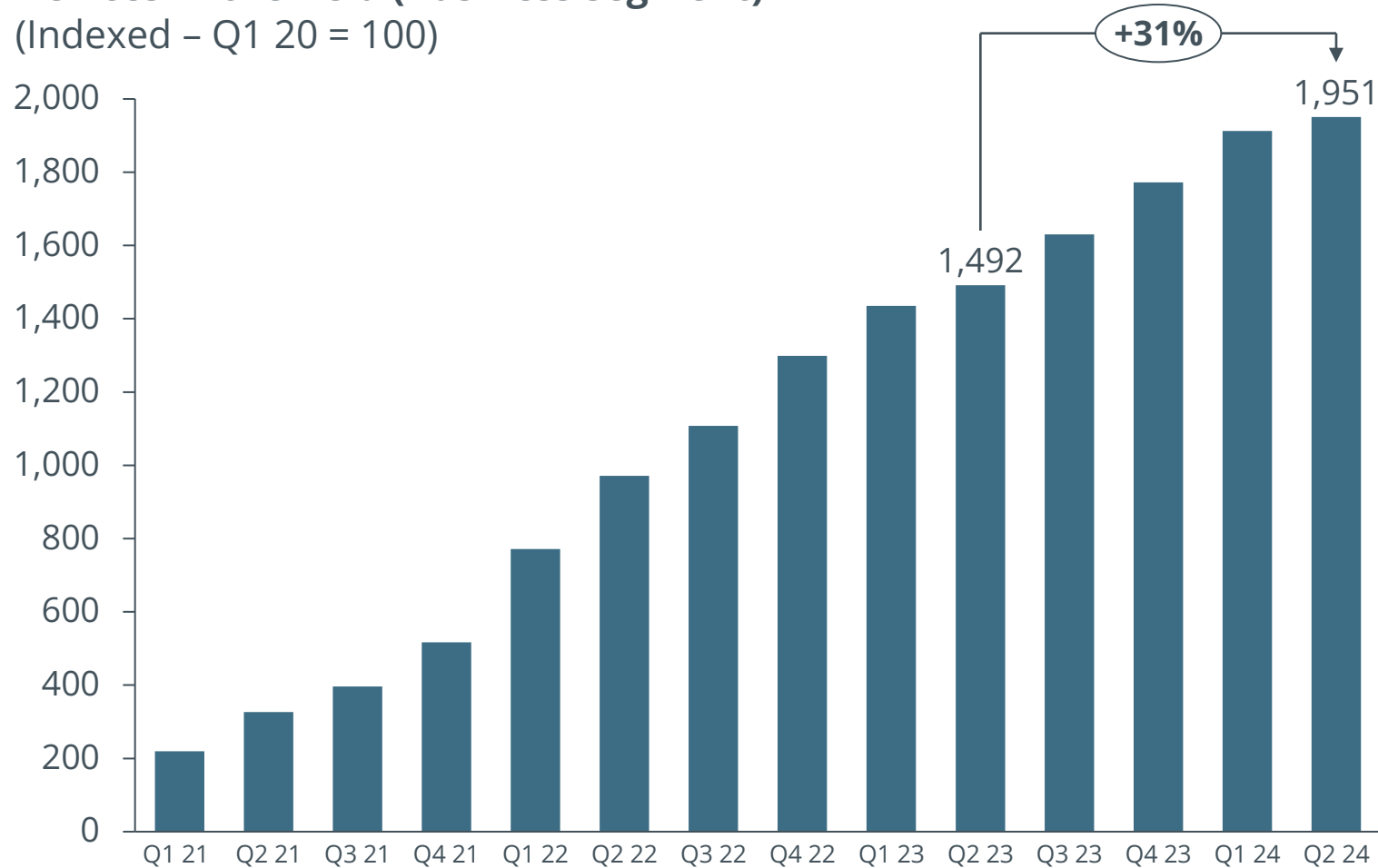
- Growing pipeline of large projects, although revenues significantly hampered by longer sales cycles in a challenging commercial real estate market.
- Promising outlook in US school market:
  - Secured an order for IAQ sensors in 1,500 classrooms across 5+ schools districts including Beverly Hills USD and Huntington Beach USD.
  - Finalist in tender – process ended with no bid awarded.
- Solid new references in EMEA including Radisson Blu, Telenor and a major Norwegian financial institution via our partners Energy Control and Sony Network Communications.

# Considerable growth in Device deployment

Business segment Q2 update

## Devices in the field (Business segment)

(Indexed - Q1 20 = 100)



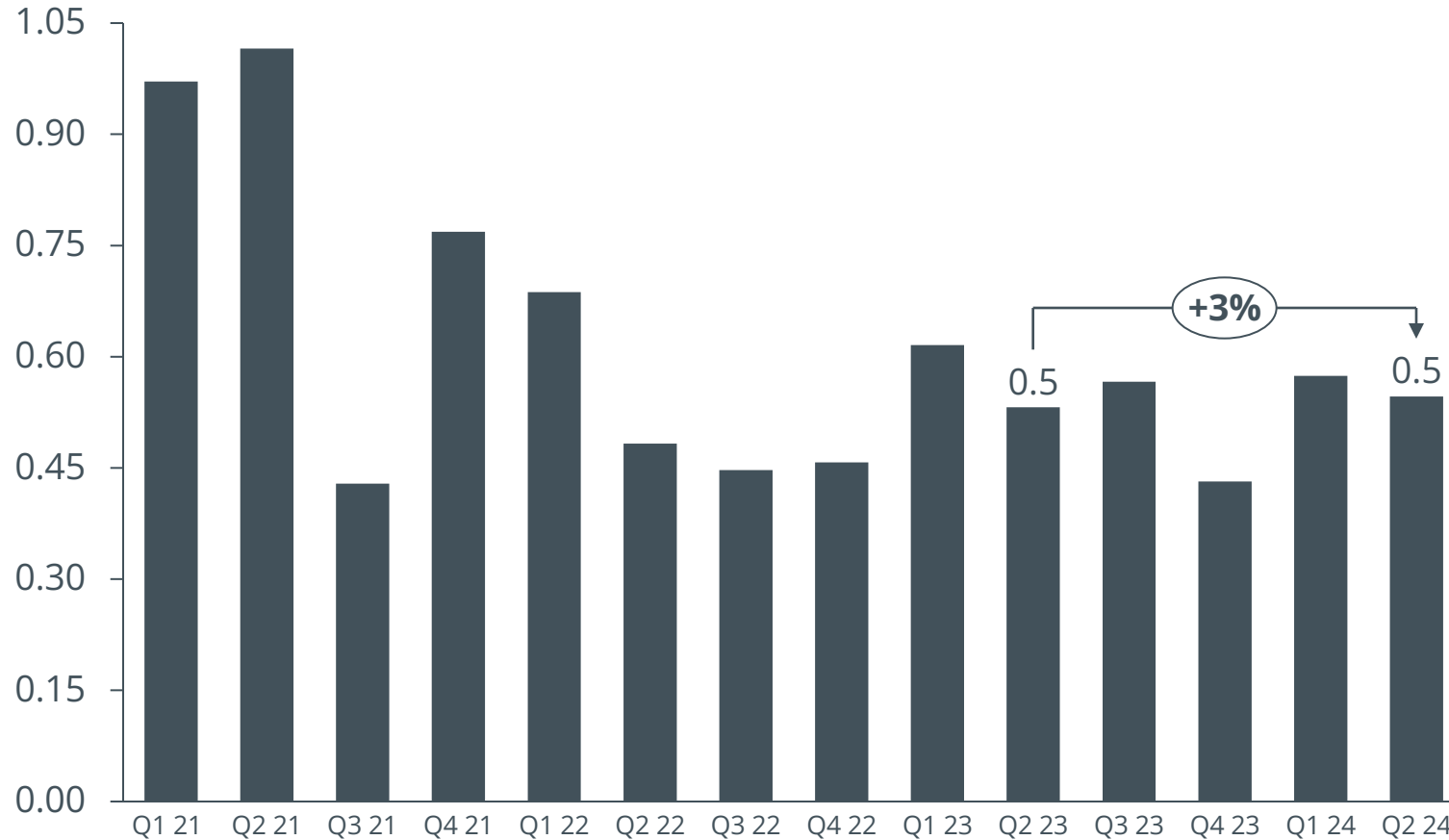
## Number of Devices in the field: +31%

- Good progress installing inventory sold to multiple partners in 2023 (indicating a lag between sell in and sell through).
- Reaching >23,000 monitors deployed at our largest client (Fortune 100) over the last nine months across their offices globally.

# Steady sales at modest levels in Pro

Pro Segment Q2 update

## Pro Sales Revenues (USD M)



## Sales +3% at USD 0.5m

- Mainly sales to radon professionals in the US market.

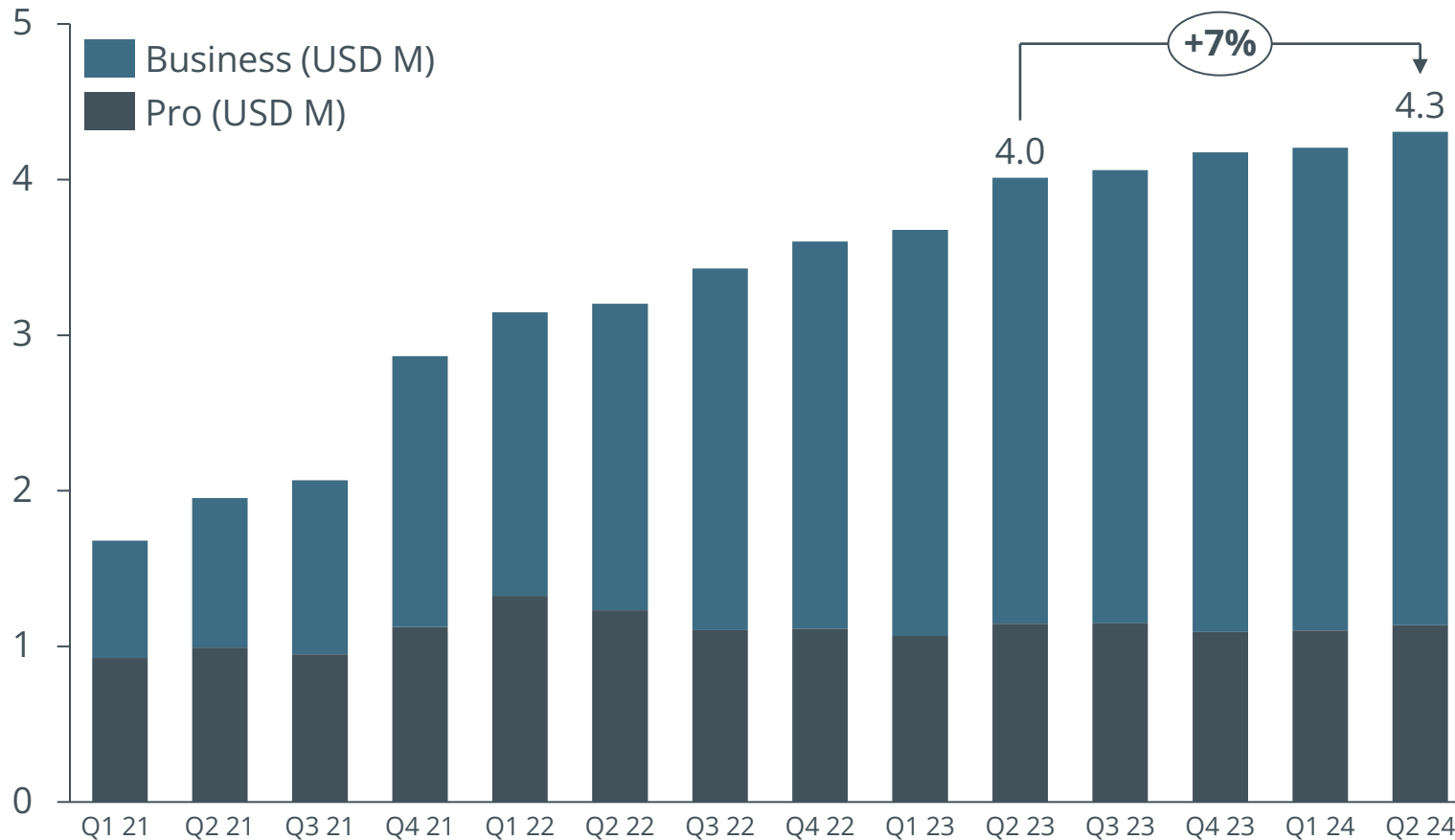


## Q2 results

# ARR +7% y-o-y, driven by the Business segment

Annual Recurring Revenue Q2 update

## Annual Recurring Revenue (USD M)



## ARR +7% y-o-y

- ARR from the Business segment +11% to USD 3.2 million.
- Driven by large installations at major enterprise customer.
- Negligible churn.

Note: ARR equals annualized sales from all active subscriptions, licenses and service contracts within AfB and Pro. (i.e. subscription service revenues booked in December multiplied by 12).



# Financials

Magnus Bekkelund, interim CFO





# 17% revenue increase with stable gross margin

## Income statement

- Revenues of **USD 8.7M** in Q2 24, up 17% y-o-y.
- Gross margin of **62%**, stable despite larger share of revenues from the Consumer segment .
- EBITDA-loss of **USD 1.7M at -19% EBITDA-margin, compared to -37% in Q2 24**
  - OPEX/Sales 81% vs 99% in Q2 23 .
- EBIT-loss of USD 2.2M
  - Reduced by USD 0.9M.

(USD 1 000)	Q2 24	Q2 23	H1 24	H1 23
<b>Total revenue</b>	<b>8 733</b>	<b>7 457</b>	<b>18 244</b>	<b>16 208</b>
Cost of goods sold	3 287	2 830	7 042	6 716
<b>Gross profit</b>	<b>5 445</b>	<b>4 627</b>	<b>11 202</b>	<b>9 492</b>
<i>Sales Gross Margin</i>	62%	62%	61%	59%
Employee benefit expenses	3 823	4 261	7 466	8 433
Other operating expenses	3 285	3 100	7 241	6 999
<b>EBITDA</b>	<b>-1 663</b>	<b>-2 734</b>	<b>-3 506</b>	<b>-5 940</b>
Depreciation and amortization	577	375	954	762
Impairment	0	0	0	0
<b>Operating profit / EBIT</b>	<b>-2 241</b>	<b>-3 109</b>	<b>-4 460</b>	<b>-6 703</b>
Financial income / (expenses)	-280	285	919	1 273
<b>Profit (loss) before tax</b>	<b>-2 521</b>	<b>-2 825</b>	<b>-3 541</b>	<b>-5 429</b>
Income tax	-461	-612	-683	-1 136
<b>Net profit (loss)</b>	<b>-2 060</b>	<b>-2 212</b>	<b>-2 858</b>	<b>-4 293</b>

## Earnings per share (USD)

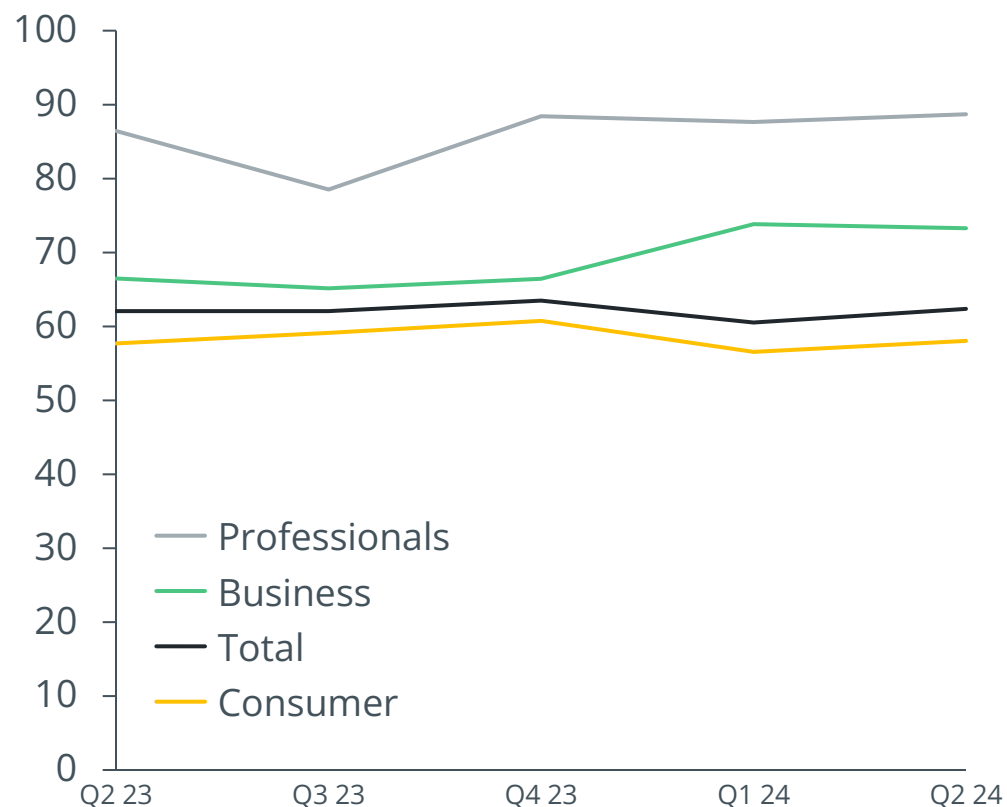
Basic earnings per share	-0.01	-0.01	-0.01	-0.02
Diluted earnings per share	-0.01	-0.01	-0.01	-0.02

# Stable gross margin despite changes in segment mix

Income statement

## Gross margin, total and per segment

(%)

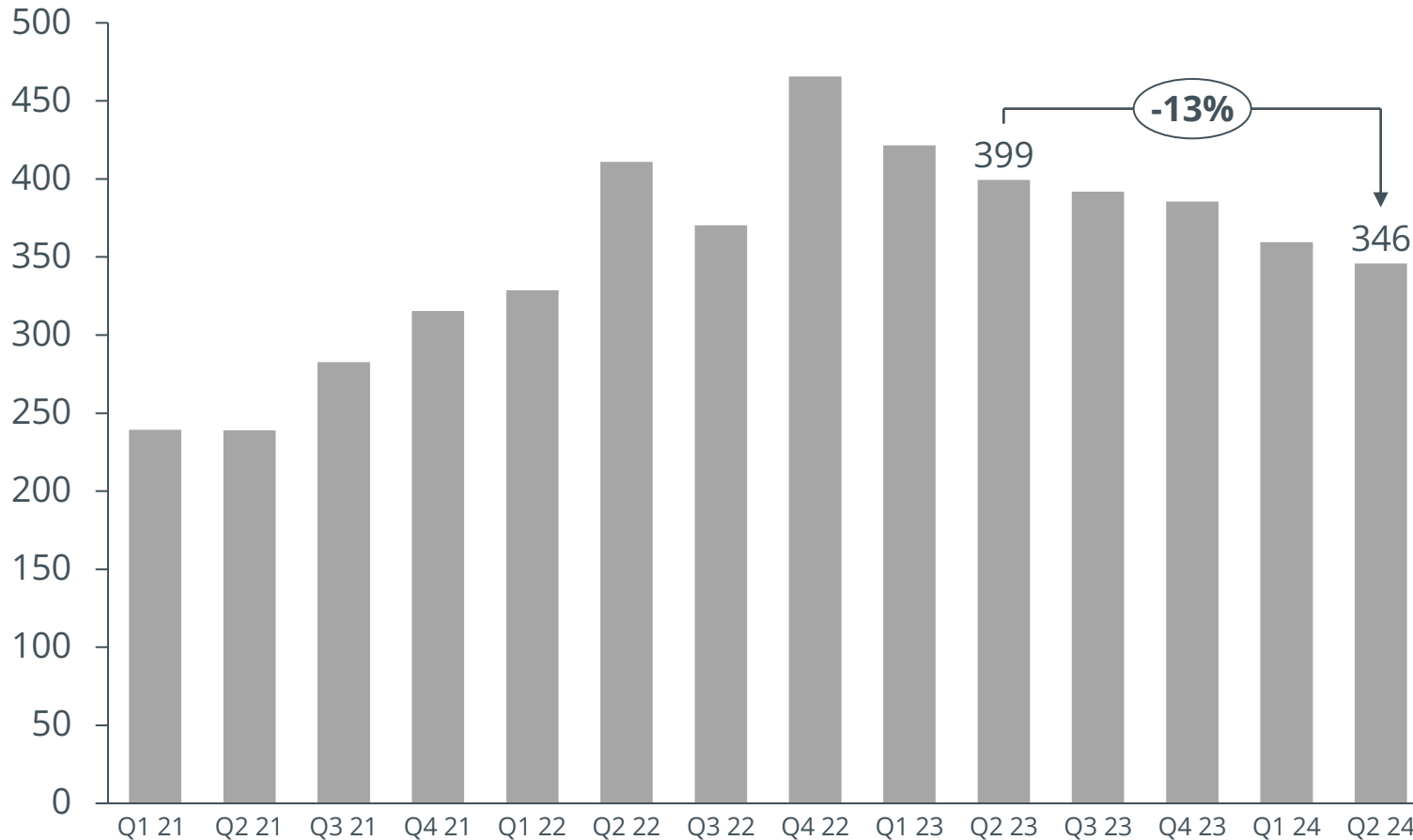


Consolidated income statement (USD 1,000)	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24
<b>Consumer</b>					
<b>Total revenues</b>	<b>4,971</b>	<b>6,399</b>	<b>7,004</b>	<b>7,786</b>	<b>6,808</b>
Cost of goods sold	2,102	2,616	2,749	3,383	2,857
<b>Gross profit</b>	<b>2,868</b>	<b>3,783</b>	<b>4,255</b>	<b>4,403</b>	<b>3,951</b>
<i>Sales Gross Margin</i>	58 %	59 %	61 %	57 %	58 %
<b>Business</b>					
<b>Total revenues</b>	<b>1,955</b>	<b>3,117</b>	<b>2,866</b>	<b>1,151</b>	<b>1,378</b>
Cost of goods sold	655	1,086	962	301	369
<b>Gross profit</b>	<b>1,300</b>	<b>2,031</b>	<b>1,904</b>	<b>850</b>	<b>1,010</b>
<i>Sales Gross Margin</i>	66 %	65 %	66 %	74 %	73 %
<b>Professionals</b>					
<b>Total revenues</b>	<b>532</b>	<b>566</b>	<b>432</b>	<b>574</b>	<b>546</b>
Cost of goods sold	72	122	50	71	62
<b>Gross profit</b>	<b>460</b>	<b>444</b>	<b>382</b>	<b>503</b>	<b>484</b>
<i>Sales Gross Margin</i>	86 %	79 %	88 %	88 %	89 %
<b>Total revenues</b>	<b>7,458</b>	<b>10,082</b>	<b>10,302</b>	<b>9,511</b>	<b>8,733</b>
<b>Gross profit</b>	<b>4,628</b>	<b>6,258</b>	<b>6,540</b>	<b>5,756</b>	<b>5,445</b>
<b>Sales Gross Margin</b>	<b>62 %</b>	<b>62 %</b>	<b>63 %</b>	<b>61 %</b>	<b>62 %</b>

Note: numbers may not sum due to rounding

# Continuing work to reduce inventories

## Average Days of Inventory Q2 24



## Average days of inventory down 13% from Q2 23

- Total inventories reduced to **USD 14M**, down **USD 2.1M** from Q2 23
  - Ramped-up production in Q2 for deliveries in Q3
- Decline in average days of inventory from 399 to 346.
- Aim to reduce inventory to 250 days at year end
  - Assuming no major currency effects to boost value of inventory

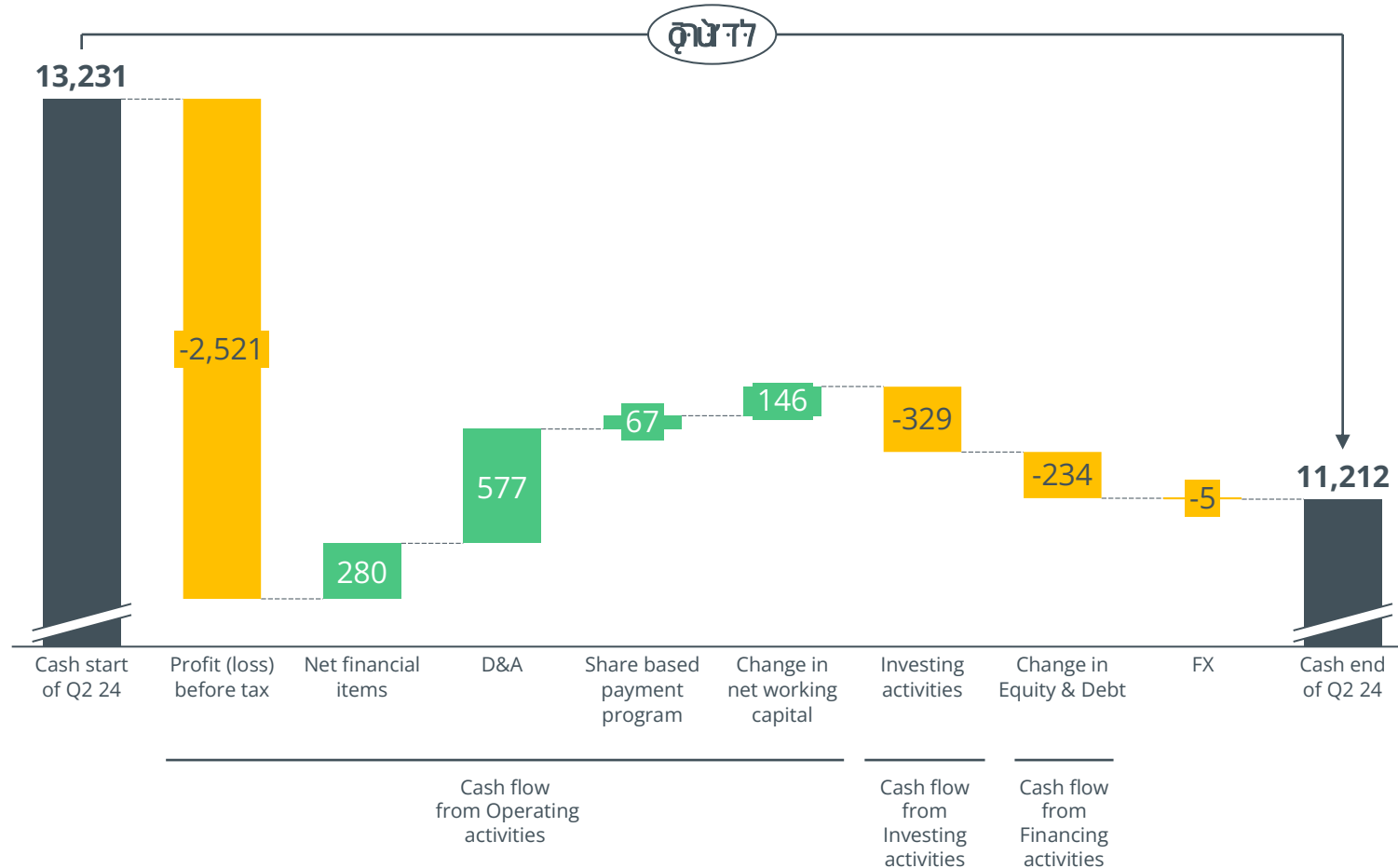
# Limited changes to balance sheet year over year

	(USD 1 000)	30.06.2024	30.06.2023
• <b>Change in assets</b>			
• Deferred tax asset	Goodwill	2 659	2 628
• Inventories	Intangible assets	3 739	2 840
• Trade receivables	Deferred tax assets	9 233	7 665
• Cash	Property, plant and equipment	511	729
	Right-of-use assets	2 022	2 740
	Other non-current assets	95	82
	<b>Total non-current assets</b>	<b>18 259</b>	<b>16 684</b>
• <b>Change in liabilities</b>	Inventories	14 048	16 168
• Limited changes	Trade receivables	9 015	8 152
	Other receivables	5 763	4 662
	Cash and cash equivalents	11 212	17 380
	<b>Total current assets</b>	<b>40 039</b>	<b>46 363</b>
• <b>Equity ratio</b>	<b>Total assets</b>	<b>58 297</b>	<b>63 047</b>
	<b>Total equity</b>	<b>45 245</b>	<b>49 326</b>
	Non-current interest-bearing liabilities	1 315	1 300
	Non-current lease liabilities	1 437	2 156
	Other non-current liabilities	99	72
	<b>Total non-current liabilities</b>	<b>2 851</b>	<b>3 529</b>
	Current lease liabilities	821	837
	Trade and other payables	5 946	5 611
	Contract liabilities	1 731	1 196
	Income tax payable	6	32
	Other current liabilities	1 698	2 416
	<b>Total current liabilities</b>	<b>10 201</b>	<b>10 192</b>
	<b>Total equity and liabilities</b>	<b>58 297</b>	<b>63 047</b>

# Moderate cash burn in Q2 and 1H 24

Cash flow statement

**Q2 24 Cash bridge**  
(USD 1,000)



- **Negative cash flow from operating activities of USD 1.5M**
  - Loss offset by financial items and depreciation and amortization.
- **Cash flow from investment activities of USD -0.3M**
  - Development expenditures, PPE and interest received .
- **Cash flow from financing activities of USD -0.2M**
  - Lease liabilities
- Cash balance of **USD 11.2M** and total available liquidity of **USD 17.2M** including the revolving credit facility of USD 6.0M with Danske Bank.

Note: numbers may not sum due to rounding

# Strategy update





# Strategy update

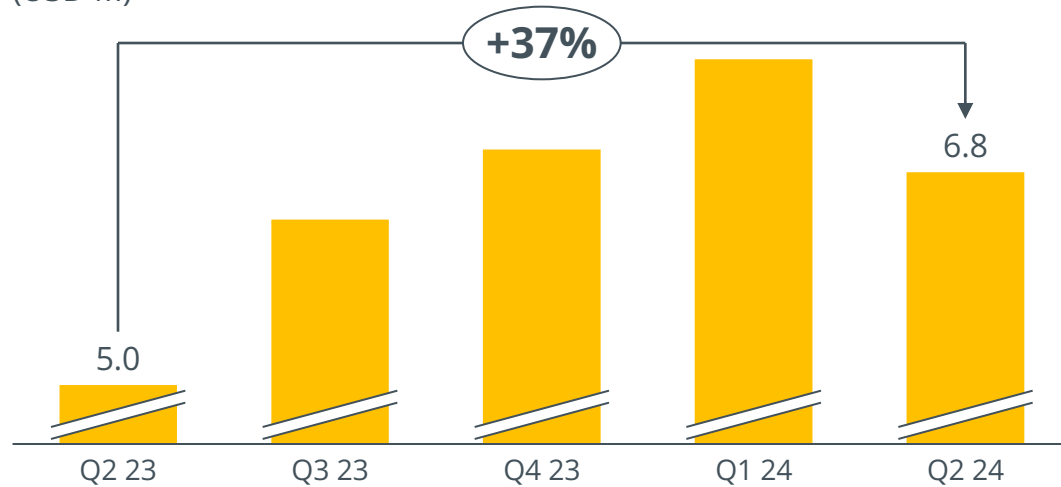
- 1 Strategy review
- 2 Findings from strategy review
- 3 Market insight
- 4 New strategic initiatives



# Opposite development in our two main segments

## Consumer segment stronger than expected

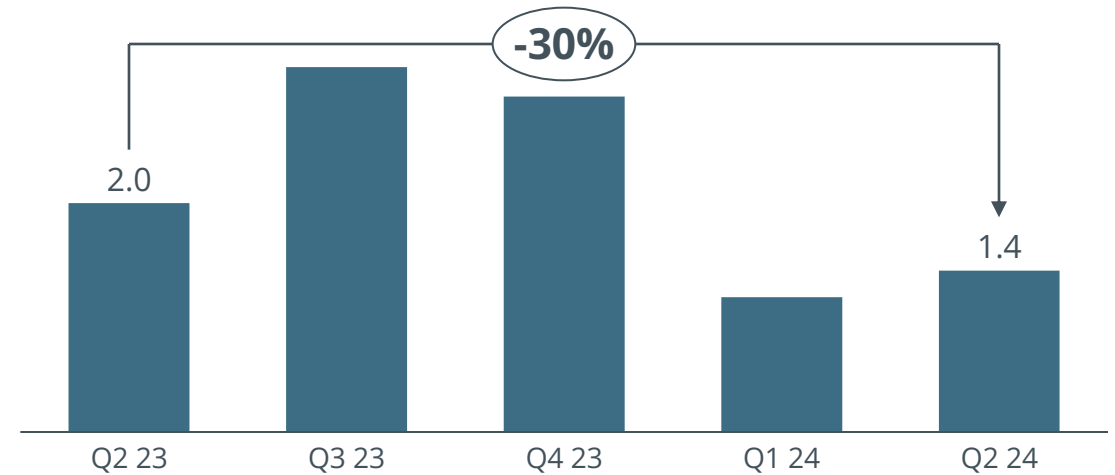
Consumer Sales Revenues  
(USD M)



- Demand from the Consumer segment stronger than expected
- Growth across all sales channels and regions
- Increasing levels of repeat purchases

## ... while development in Business segment is still volatile

Business Sales Revenues  
(USD M)



High revenue volatility due to the following reasons:

- Difficult market conditions in the Commercial Real Estate sector
- Depletion of inventory purchased in 2023 by key partners
- Challenges in replicating the growth achieved with a major client in 2022 and 2023

# Market development and new insights triggered strategy review

## October 2023 Capital Markets Update



## H1 2024 New management and strategy review

*Need to accelerate path to  
profitability*

*Focus on core activities to  
capitalize on higher-than-  
expected consumer  
demand*

## H2 2024 Strategic initiatives identified

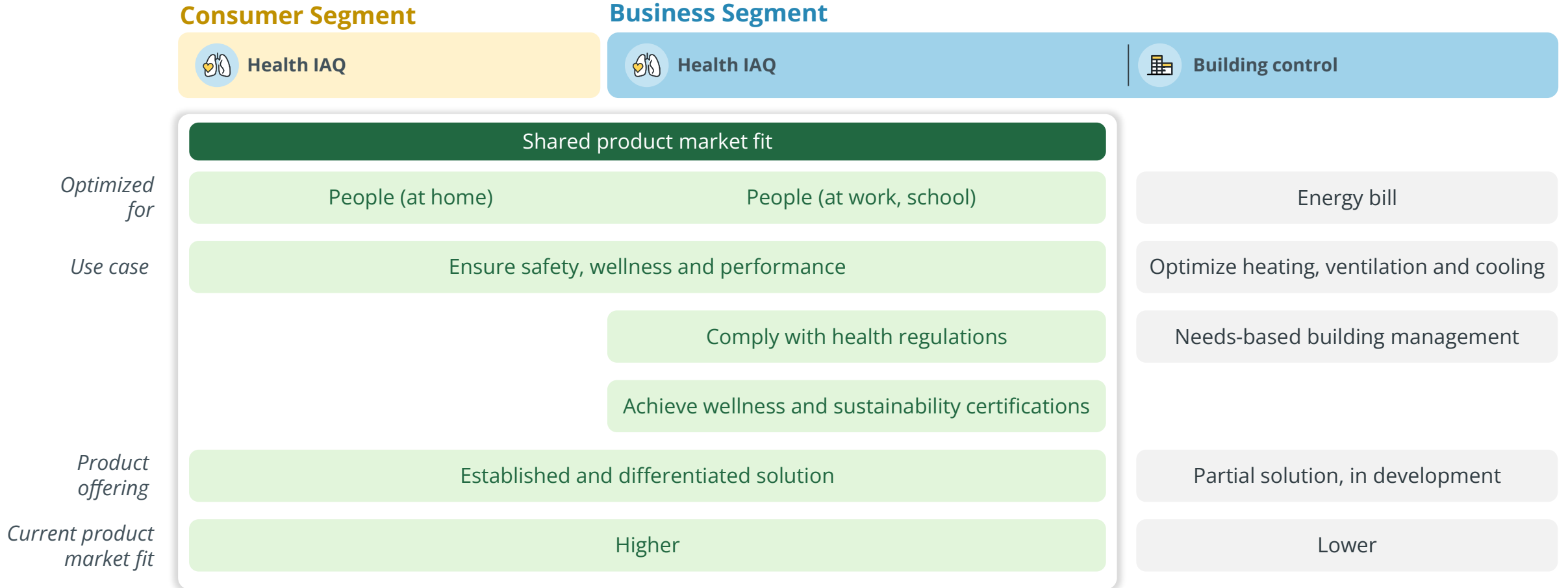
*New strategic initiatives  
identified – execution to  
begin Q3 24*

# Findings from strategy review



# Insight #1: Best market fit with health driven Indoor Air Quality (IAQ)

Airthings for people: value proposition relevant for both the Consumer and Business segments



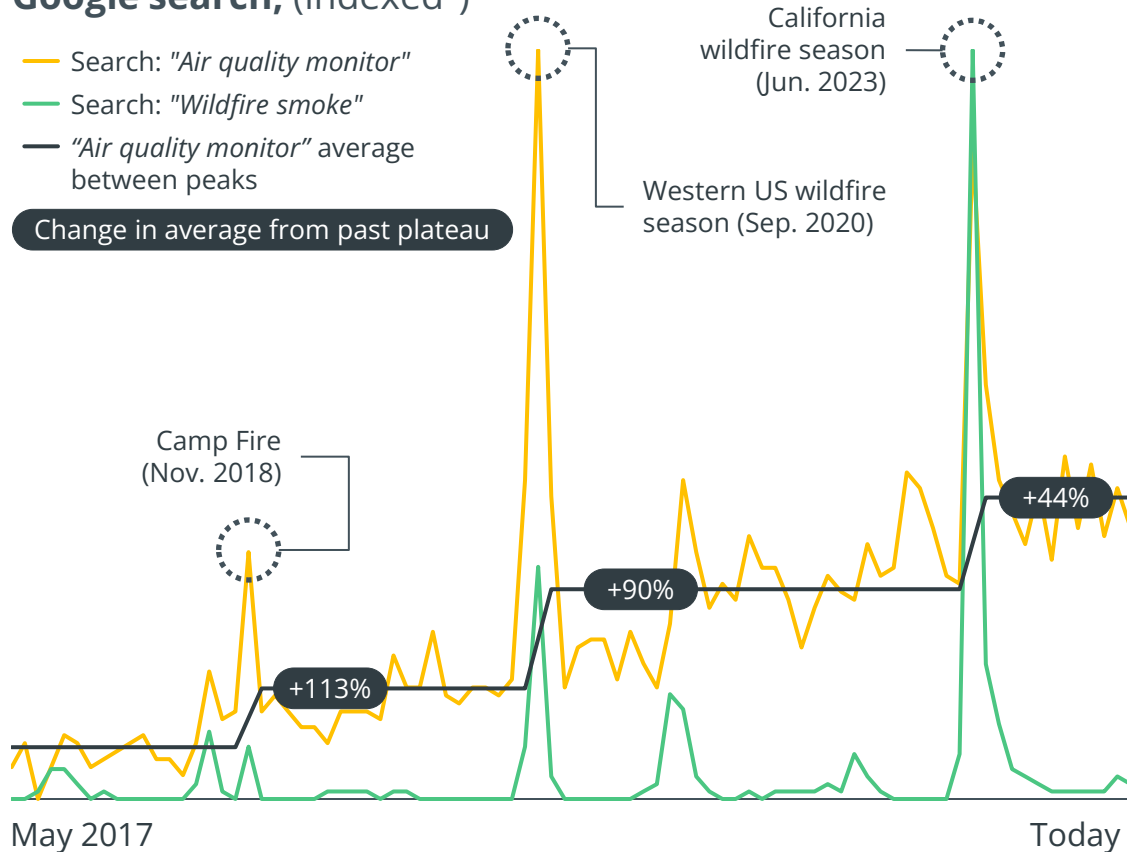
# Insight #2: Accelerating consumer demand, driven by health awareness

## Wildfire smoke engagement generates IAQ demand

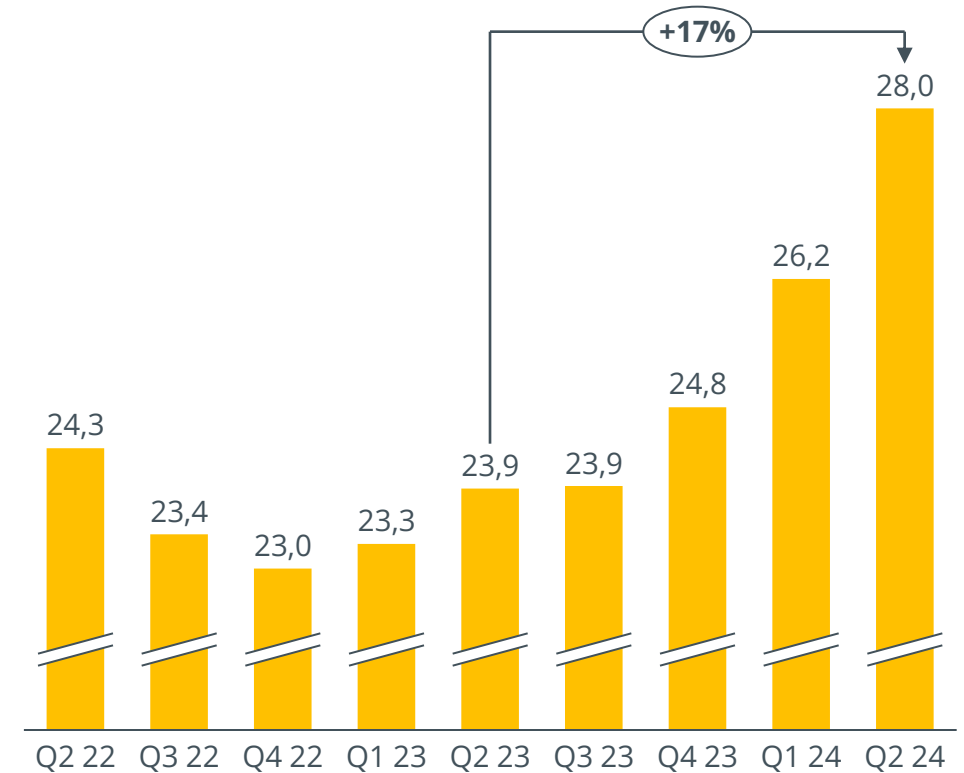
### Google search, (indexed<sup>1</sup>)

- Search: "Air quality monitor"
- Search: "Wildfire smoke"
- "Air quality monitor" average between peaks

Change in average from past plateau



### Trailing 12 months Consumer revenues (USDm)



1) US Google searches for "wildfire smoke" and "air quality monitor", indexed period low-point to period peak per search query, retrieved June 20th, 2024.

# Insight #3: In the Business segment, schools and large enterprises represent the highest ROI

## Business Segments

	Schools and public buildings	Large enterprises	Other
Examples of current end-customers	Ivy league universities California schools Municipalities in Norway	Multiple Fortune 500 companies in the US Several European based global enterprise customers	Hotels Prisons Hospitals Retail Museums Gyms Senior living Warehouses Restaurants
Device density	Higher	Higher	Lower
Win rate	Higher	Higher	Lower
Avg. deal size	Higher	Higher	Lower
LTV/CAC	Higher	Higher	Lower



# Airthings empowers **people** to breathe better

People are increasingly aware of their personal health, and IAQ is an important part of it. They take their care for their health and are aware of IAQ wherever they go.

As a part of people's lives, we provide you Airthings

@home

@school

@work



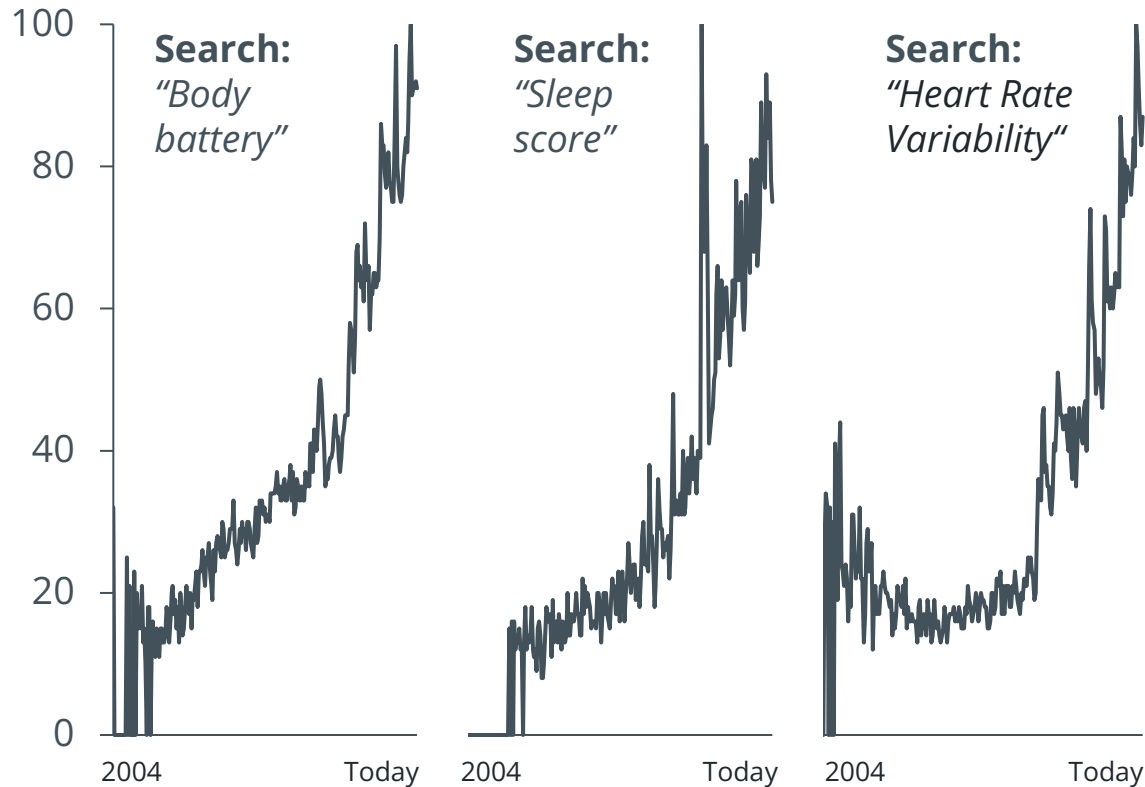
**Market insight:**  
Indoor Air Quality, a  
growing part of the  
health tech market



# Fast-growing market for health tech products and solutions

All-time high user engagement for health tech products

Google search, (indexed<sup>1</sup>)



IAQ: growing category within the health tech megatrend

Related categories in the Health tech ecosystem

**Nutrition & diet**

Mindfulness

**Sleep**

**Indoor Air Quality "IAQ"**

Productivity

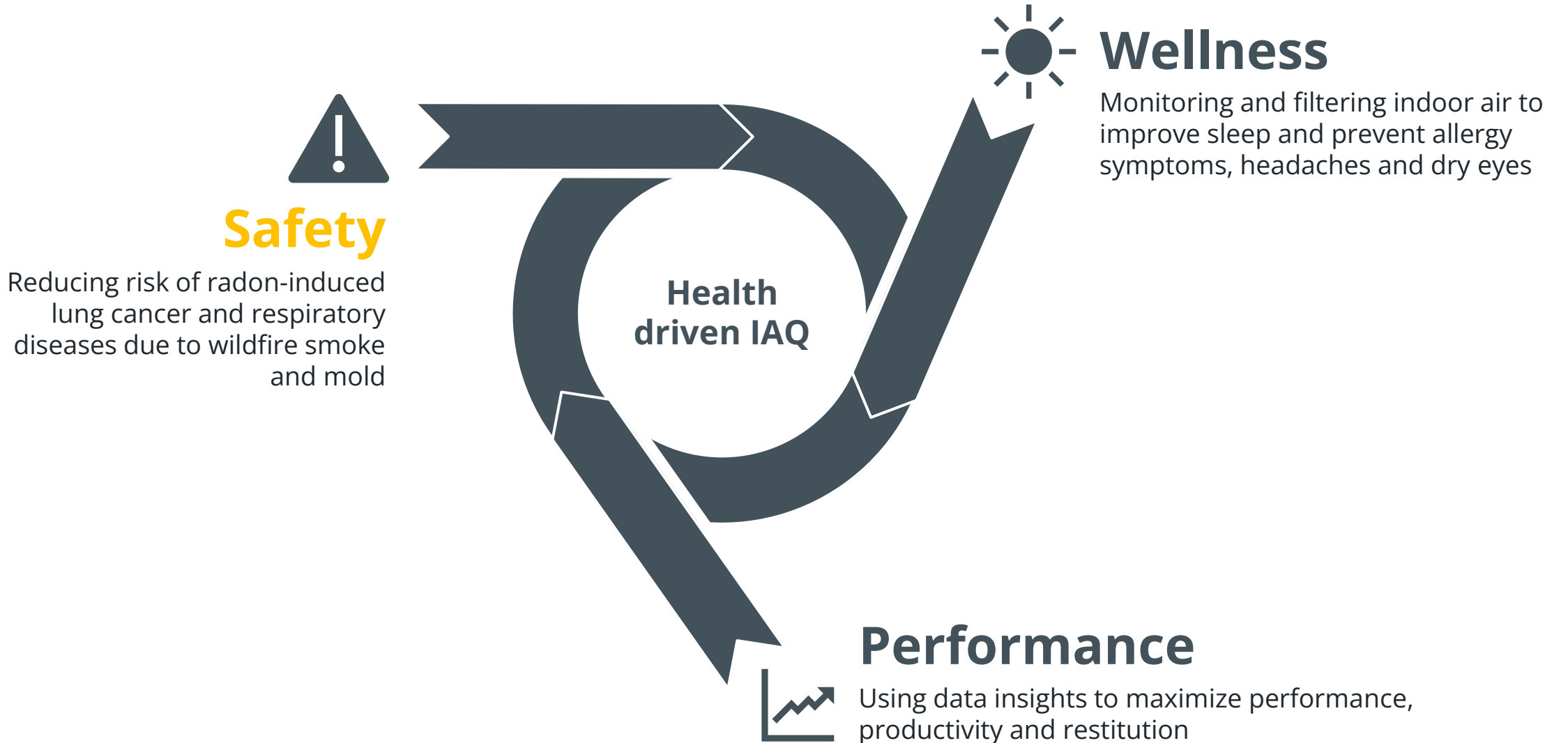
Recovery

**Exercise**

1) Worldwide Google searches for terms associated with the health tech trend, indexed January 2004 (0) to all-time peak (100), retrieved June 20<sup>th</sup>, 2024.

# Our three main entry points to Indoor Air Quality (IAQ)

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# Well-positioned to capture significant share of the IAQ market

## Safety

### BUSINESS INSIDER

Google is telling office workers in NYC to work from home as smoke covers the East Coast and air quality hits unhealthy levels

Nishi Panduranga | Jun 8, 2023, 5:37 AM GMT+2

Share Save

### BBC

Bath school given £50K fine for exposing pupils to radioactive gas

21 July 2023

By Emma Elgee, BBC News

### abc NEWS

Jun 07, 2023, 3:32 PM CEST

NYC, DC public schools cancel all outdoor activities

Washington, D.C., public schools have canceled all outdoor activities, including athletic games, for Wednesday due to the poor air quality.

A "Code RED Air Quality Alert" has been issued for the nation's capital.

## Wellness

>70%

have purchased more in this category in the past year than in prior years<sup>1</sup>

94%

believes that workplace air quality directly impacts their health and wellness<sup>2</sup>

## Performance

21%

of Americans use a smart watch or fitness tracker<sup>3</sup>

\$15  
bn

In annual cost for employers due to sick leave and decreased work performance caused by poor indoor air quality<sup>4</sup>

# From “nice to have” to “must have”

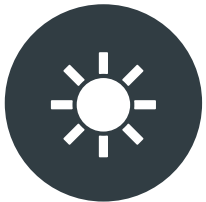
## Illustrative adoption curve



### Safety



Significant growth potential due to changing perceptions and increasing demand for better indoor air quality



### Wellness



Capitalizing on safety product-market fit (radon and particulate monitors) to increase demand among wellness and performance enthusiasts



### Performance



# We expect indoor air quality to be seen as a basic need

In the future...



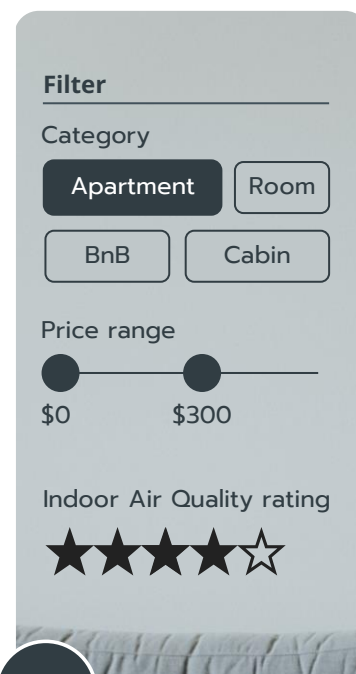
 Owning an IAQ monitor is as common as owning a smoke detector



 All families measure radon in their home



 People buy new air purifier filters when preparing for wildfire season



**Filter**

Category

Apartment Room

BnB Cabin

Price range

\$0 \$300

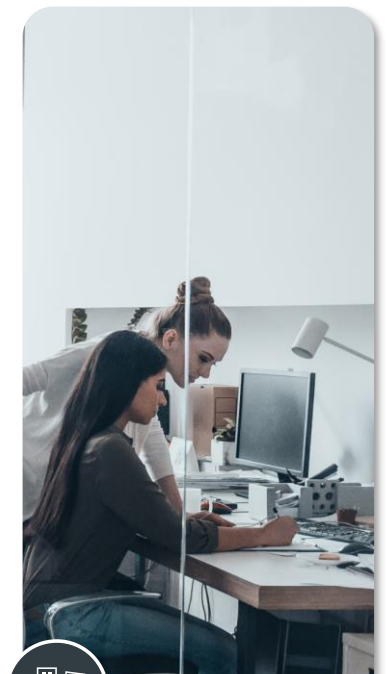
Indoor Air Quality rating


★★★★☆

★★★☆☆



 Children bring IAQ monitors to schools that do not actively measure air quality



 Employees demand IAQ measures from their employers

# New strategic initiatives



# Strategic initiatives to capitalize on IAQ awareness and reduce complexity

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## 1 Value proposition

**Invest in one**, united value proposition: Indoor air quality solutions to people at **home, school** and **work**

**Sell direct and through strategic partners** enhancing our distribution power

## 2 Partnerships

**Enable** trusted partners to sell and grow building control to businesses

**Sell exclusively through value added partners**

## 3 Organization

**Reduce complexity** through a leaner operating model and organization



# Investing in one, united value proposition

From ...

Twofold value proposition

**Consumer**



Health IAQ

**Business**



Health IAQ



Building control

Pursuing four trends

Health tech

Smart home

Energy efficiency

Sustainability



... to

Focus on health tech

**Health tech**

Smart Home

Energy efficiency

Sustainability

Investing in one value proposition


Invest



**Health IAQ**

For both Consumers and Business, leveraging our direct channels and partner ecosystem

Maintain



**Building control** to be developed and distributed through value-add partners

# Focus on IAQ monitoring in the Business segment; building control to be provided by partners

Invest



## Health IAQ in the Business segment

Focus on two business categories



Schools and public buildings



Large enterprises

Focus on core products



Wireless sensors



Dashboard



App

Focus on selected geographies through direct sales and via strategic partners increasing our distribution



US



UK



France



Nordics

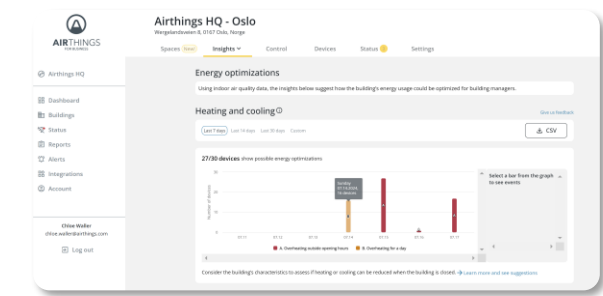
Maintain



## Building control

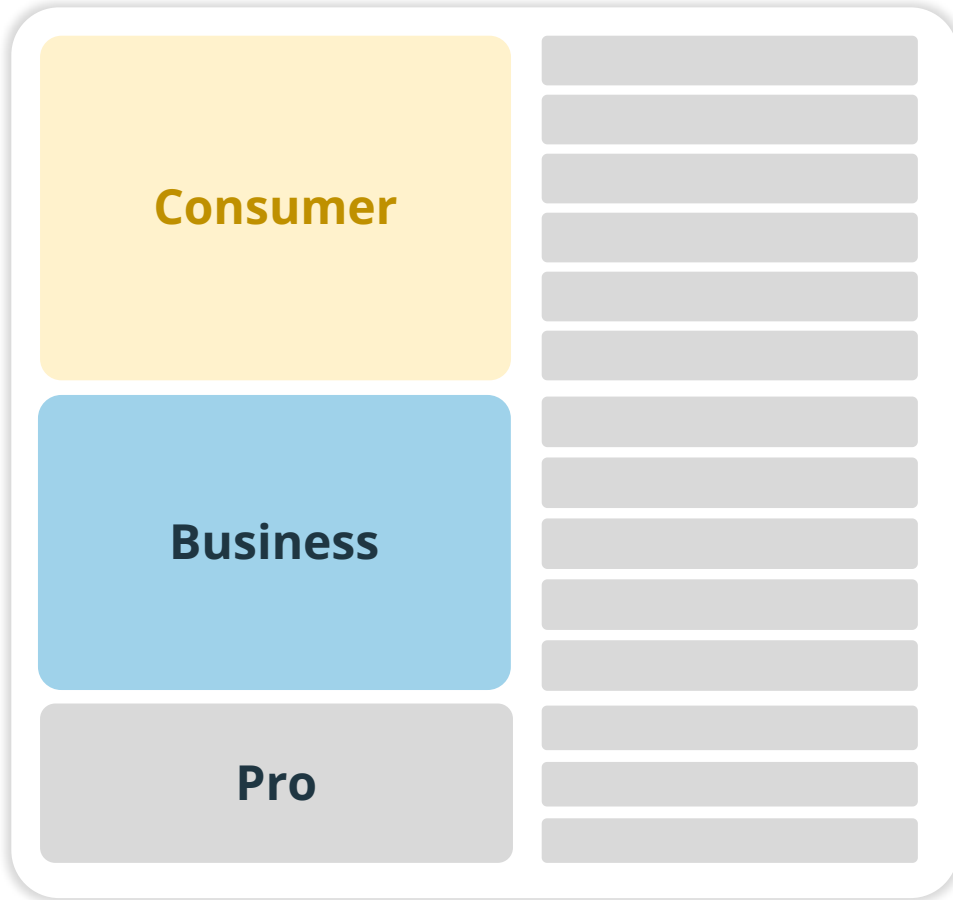
We will rely on our solid network of **value-add partners** to develop and deliver "building control" functionality

- Shared risk in immature part of the Business segment
- Increase distribution
- Broad offering to end-to-end-customers



# Reduce complexity through leaner operating model and organization

From three segments



... to a leaner and more focused organization



# Path to profitability

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**1** Value proposition

**2** Partnerships

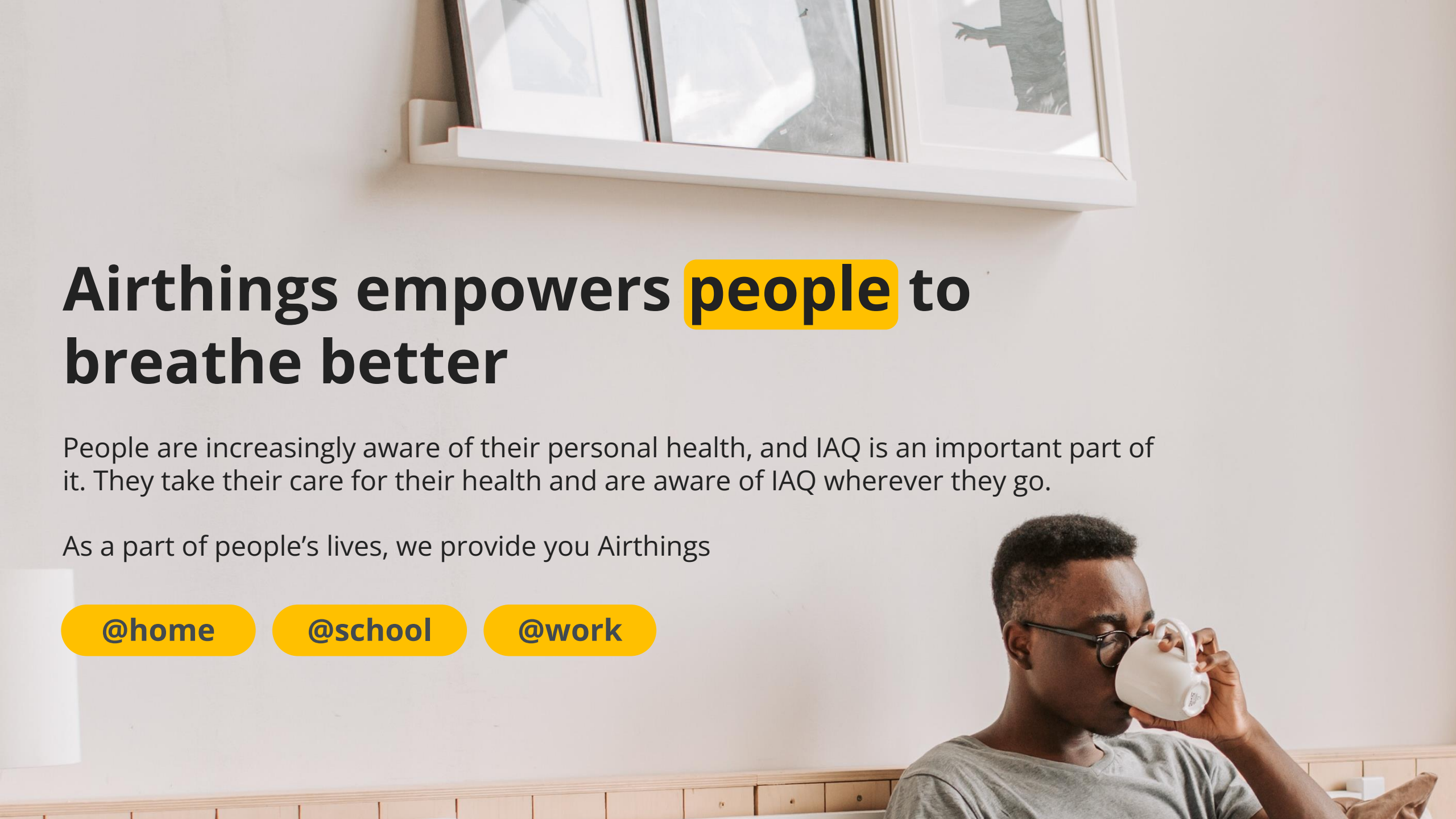
**3** Organization



**Revenue growth:** Capitalize on accelerating demand for Health IAQ

**Reduced costs:** 20% workforce reduction in the second half of 2024

**Profitability:** Positive EBITDA for the second half of 2025 and full year 2026



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People are increasingly aware of their personal health, and IAQ is an important part of it. They take their care for their health and are aware of IAQ wherever they go.

As a part of people's lives, we provide you Airthings

@home

@school

@work

## Expecting positive EBITDA for 2H 2025 and for full year 2026

### Strategic initiatives will shorten path to probability

- **Solid quarter**, two-folded outcome on segment level
- **37% growth in the Consumer segment**, driven by strong growth across all channels
- **Continued challenging market conditions** in the business segment
- **Strategic initiatives** to capitalize on underlying demand and reduce complexity are identified and will be implemented:
  - One, united value proposition
  - Partnerships
  - Leaner and more focused organization
- **Expecting positive EBITDA** for 2H 2025 and for full year 2026

### Q3 is characterized by major high velocity events

- Q3 is characterized by major high velocity events such as Prime Day and Fire Safety Event in collaboration with Amazon and Home Depot in the United States. Additionally, the need for air quality control typically increases with the forecasted surge of wildfires in the quarter
- We will launch Wave Enhance, a monitor perfect for bedrooms and home offices where restful sleep and the ability to focus are essential

#### Guidance (USD M)

#### Q3 2024

Revenue

9.5 – 11.5

Annual Recurring Revenue

4.3 – 4.5

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# Q&A

