

## Remark Holdings Reports First Quarter 2019 Results

May 9, 2019

### On Track in Transition to Pure-Play AI Enterprise

#### Working with Diverse Group of Partners in Deploying and Testing Tailored AI Solutions in the Retail, Public Safety and Security Arenas

LAS VEGAS, May 9, 2019 /PRNewswire/ -- Remark Holdings, Inc. (NASDAQ: MARK), a diversified global technology company with leading artificial intelligence (AI) solutions and digital media properties, reported its financial results for the first quarter ended March 31, 2019.

#### Management Commentary

"During the first quarter, we continued to build-out our AI products in the large supermarket space, while working with additional partners in laying the ground work to deploy our AI solutions in the retail, public and workplace safety and surveillance arenas," said Kai-Shing Tao, Chairman and Chief Executive Officer of Remark Holdings. "Our current retail initiative is leading to tangible gains for our strategic partner in the areas of consumer targeting, engagement and in-store revenue, which bodes well for the ongoing deployment of our solutions in additional large retail venues. We're also executing against an active pipeline of proof of concept initiatives that introduce our proprietary technologies, application flexibility and cost-efficient approach to a range of blue-chip companies in China and Southeast Asia.

"We are on track in divesting Vegas.com and moving forward in our transition into a pure-play AI enterprise. The sale will allow us to reduce our debt, restructure our balance sheet and streamline our cost structure, while expanding our ability to work with strategic partners in the AI space. We remain focused on launching our AI solutions in multiple sectors, with the goal of building a stream of recurring revenues, supported by modest recurring capital costs."

#### Recent Highlights

- Continuing to work closely with a diverse group of clients in executing on various stages of AI product deployment tailored to the retail, construction, traffic control, food safety and entertainment segments.
- The deployment of Remark's Smart AI product in two large supermarkets in China is leading to tangible gains for the Company's strategic partner in the areas of consumer targeting, engagement and in-store revenue, which bodes well for the ongoing deployment of the Company's solutions in additional, large retail venues.
- Remark's facial recognition algorithm was ranked in the top twenty in the latest Face Recognition Vendor Test (FVRT) 1:1 evaluation conducted by the U.S. National Institute of Standards and Technology (NIST). Remark's AI facial recognition product beat out top AI companies in the world, including billion-dollar unicorns, such as SenseTime and Face++.
- Remark remains on track regarding the sale of Vegas.com, subject to certain closing conditions, including approval of the transaction by the Company's stockholders. A special meeting of stockholders will be held on May 14, 2019 to obtain stockholder approval for the transaction. The closing of the transaction is expected to take place during the second quarter of 2019.

#### Three Months Ended March 31, 2019 compared to Three Months Ended March 31, 2018

- Revenue for the first quarter of 2019 was approximately \$19.5 million, compared to \$16.7 million in the first quarter of 2018. Results reflect a \$3.4 million increase in revenue resulting from transaction growth in the Travel & Entertainment segment, offset by a \$0.6 million decrease in revenue from the Company's other business units. Our Technology & Data Intelligence segment contributed \$0.4 million in revenue from the deployment of our AI based retail and safety solutions. A further \$0.9 million was delivered for our AI-based public safety solution, but revenue recognition will be deferred until such time as we collect the amounts due from the customer. We anticipate collections to begin in the second quarter of 2019.
- Total cost and expense for the first quarter of 2019 was \$25.3 million, compared to \$37.9 million in 2018, driven primarily by a reduction in stock-based compensation expense to \$0.3 million, from \$11.6 million in 2018, which resulted because the prior-year period included at the corporate level an \$11.6 million stock option grant to Remark's CEO while the first quarter of 2019 had no individual grants of similar scale. The Company's cost and expense for the first quarter of 2018 also included \$2.3 million of rent expense related to a liability the Company recorded when it abandoned certain leased property prior to the end of the lease contract.
- The decreases in stock-based compensation expense and rent expense at the corporate level were partially offset by an increase of \$0.8 million in paid search marketing cost in Remark's Travel & Entertainment segment resulting from the competitive nature of the paid-search marketplace, and by an increase of \$0.5 million in stock-based compensation in

Remark's Technology & Data Intelligence segment as a result of changes in the Company's liability related to awards granted to employees in China.

- Operating loss was \$5.8 million, compared to \$21.2 million due to the combined effect of the revenue increase and the decrease in total cost and expense.
- Adjusted EBITDA was negative \$3.1 million, compared to negative \$6.9 million.
- Net loss was \$8.9 million, or \$0.23 per diluted share, compared to a net loss of \$14.0 million, or \$0.43 per diluted share. Net loss for the first quarter of 2019 included a non-cash loss of \$1.4 million related to a change in the fair value of Remark's warrant liability, which occurred due to the increase in the Company's stock price during the period. The same period of 2018 included a non-cash gain of \$8.6 million related to a change in the fair value of Remark's warrant liability, which occurred due to the decrease in the Company's stock price during that period.
- At March 31, 2019, the cash and cash equivalents balance was \$16.5 million, and total restricted cash was \$11.2 million, bringing the total combined cash position to \$27.7 million, compared to a total combined cash position of \$25.5 million at December 31, 2018. Cash increased primarily due to timing of payments related to elements of working capital.

#### Conference Call Information

Mr. Tao will hold a conference call today May 9, 2019 at 4:30 p.m. Eastern Time (1:30 p.m. Pacific Time) to discuss these financial results. A question and answer session will follow management's presentation.

Toll-Free Number: 866-548-4713  
International Number: 323-794-2093  
Conference ID: 1500520

Please call the conference telephone number 10 minutes prior to the start time. An operator will register your name and organization.

The conference call will be broadcast simultaneously and available for replay via the investor section of the Company's website [here](#).

A replay of the call will be available after 7:30 pm Eastern time on the same day through May 13, 2019.

Toll-Free Replay Number: 844-512-2921  
International Replay Number: 412-317-6671  
Replay ID: 1500520

[Tables to follow]

# Remark Holdings

#### About Remark Holdings, Inc.

Remark Holdings, Inc. (NASDAQ: [MARK](#)) delivers an integrated suite of AI solutions that enable businesses and organizations to solve problems, reduce risk and deliver positive outcomes. The company's easy-to-install AI products are being rolled out in a wide range of applications within the retail, financial, public safety and workplace arenas. The company also owns and operates digital media properties that deliver relevant, dynamic content and ecommerce solutions. The company is headquartered in Las Vegas, Nevada, with additional operations in Los Angeles, California and in Beijing, Shanghai, Chengdu and Hangzhou, China. For more information, please visit the company's website at [www.remarkholdings.com](http://www.remarkholdings.com).

#### Forward-Looking Statements

This press release may contain forward-looking statements, including information relating to future events, future financial performance, strategies, expectations, competitive environment and regulation. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates," and similar expressions, as well as statements in future tense, identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including those discussed in Part I, Item 1A. Risk Factors in Remark Holdings' Annual Report on Form 10-K and Remark Holdings' other filings with the SEC. Any forward-looking statements reflect Remark Holdings' current views with respect to future events, are based on assumptions and are subject to risks and uncertainties. Given such uncertainties, you should not place undue reliance on any forward-looking statements, which represent Remark Holdings' estimates and assumptions only as of the date hereof. Except as required by law, Remark Holdings undertakes no obligation to update or revise publicly any forward-looking statements after the date hereof, whether as a result of new information, future events or otherwise.

#### Company Contact:

Alison Davidson  
Remark Holdings, Inc.  
[adavidson@remarkholdings.com](mailto:adavidson@remarkholdings.com)  
702-701-9514

#### Investor Relations Contact:

Brad Edwards  
The Plunkett Group, Inc.

**REMARK HOLDINGS, INC. AND SUBSIDIARIES**

Condensed Consolidated Balance Sheets  
(dollars in thousands, except per share amounts)

|   | <u>March 31,</u><br><u>2019</u> | <u>December 31,</u><br><u>2018</u> |
|---|---------------------------------|------------------------------------|
|   | <u>(Unaudited)</u>              |                                    |
| <b>Assets</b>   |                                 |                                    |
| Cash and cash equivalents   | \$ 16,512                       | \$ 14,410                          |
| Restricted cash   | 11,139                          | 11,138                             |
| Trade accounts receivable, net  | 4,416                           | 6,369                              |
| Prepaid expense and other current assets  | 13,500                          | 12,128                             |
| Notes receivable, current   | 100                             | 100                                |
| Total current assets  | <u>45,667</u>                   | <u>44,145</u>                      |
| Property and equipment, net   | 9,654                           | 10,570                             |
| Operating lease assets  | 6,108                           | —                                  |
| Investment in unconsolidated affiliates   | 1,960                           | 2,005                              |
| Intangibles, net  | 16,749                          | 17,930                             |
| Goodwill  | 18,514                          | 18,514                             |
| Other long-term assets  | 852                             | 644                                |
| Total assets  | <u>\$ 99,504</u>                | <u>\$ 93,808</u>                   |
| <b>Liabilities and Stockholders' Equity</b>   |                                 |                                    |
| Accounts payable  | \$ 21,276                       | \$ 30,876                          |
| Accrued expense and other current liabilities   | 31,921                          | 24,664                             |
| Deferred merchant booking   | 10,747                          | 4,664                              |
| Contract liability  | 6,089                           | 4,063                              |
| Note payable  | 3,000                           | 3,000                              |
| Current maturities of long-term debt, net of unamortized discount and debt issuance cost  | <u>35,547</u>                   | <u>35,314</u>                      |
| Total current liabilities   | 108,580                         | 102,581                            |
| Operating lease liabilities, long-term  | 7,339                           | —                                  |
| Warrant liability   | 2,799                           | 1,383                              |
| Other liabilities   | 254                             | 2,968                              |
| Total liabilities   | <u>118,972</u>                  | <u>106,932</u>                     |
| <b>Commitments and contingencies</b>  |                                 |                                    |
| Preferred stock, \$0.001 par value; 1,000,000 shares authorized; none issued  | —                               | —                                  |
| Common stock, \$0.001 par value; 100,000,000 shares authorized; 40,722,229 and 39,053,312 shares issued and outstanding; each at March 31, 2019 and December 31, 2018, respectively | 41                              | 39                                 |
| Additional paid-in-capital  | 310,618                         | 308,018                            |
| Accumulated other comprehensive income  | (62)                            | 32                                 |
| Accumulated deficit   | <u>(330,065)</u>                | <u>(321,213)</u>                   |
| Total stockholders' deficit   | <u>(19,468)</u>                 | <u>(13,124)</u>                    |
| Total liabilities and stockholders' deficit   | <u>\$ 99,504</u>                | <u>\$ 93,808</u>                   |

**REMARK HOLDINGS, INC. AND SUBSIDIARIES**

Unaudited Condensed Consolidated Statements of Operations and Comprehensive Loss  
(dollars in thousands, except per share amounts)

|   | <u>Three Months Ended March 31,</u> |             |
|---|-------------------------------------|-------------|
|   | <u>2019</u>                         | <u>2018</u> |
| Revenue   | \$ 19,463                           | \$ 16,724   |
| <b>Cost and expense</b>                                   |                                     |             |
| Cost of revenue (excluding depreciation and amortization) | 4,369                               | 4,032       |
| Sales and marketing                                       | 10,107                              | 9,351       |
| Technology and development                                | 3,502                               | 3,049       |
| General and administrative                                | 4,606                               | 18,564      |

|  |                   |                    |
|--|-------------------|--------------------|
| Depreciation and amortization                          | 2,472             | 2,718              |
| Other operating expense                                | 251               | 216                |
| Total cost and expense                                 | <u>25,307</u>     | <u>37,930</u>      |
| Operating loss   | (5,844)           | (21,206)           |
| Other income (expense)                                 |                   |                    |
| Interest expense                                       | (1,525)           | (1,406)            |
| Other income (expense), net                            | (41)              | 11                 |
| Change in fair value of warrant liability              | (1,416)           | 8,610              |
| Other loss   | <u>(26)</u>       | <u>(31)</u>        |
| Total other income (expense), net                      | <u>(3,008)</u>    | <u>7,184</u>       |
| Loss before income taxes                               | (8,852)           | (14,022)           |
| Benefit from (provision for) income taxes              | —                 | (31)               |
| Net loss   | <u>\$ (8,852)</u> | <u>\$ (14,053)</u> |
| Other comprehensive income (loss)                      |                   |                    |
| Foreign currency translation adjustments               | (94)              | 198                |
| Comprehensive loss                                     | <u>\$ (8,946)</u> | <u>\$ (13,855)</u> |
| Weighted-average shares outstanding, basic and diluted | <u>39,258</u>     | <u>32,395</u>      |
| Net loss per share, basic and diluted                  | <u>\$ (0.23)</u>  | <u>\$ (0.43)</u>   |

 View original content to download multimedia: <http://www.prnewswire.com/news-releases/remark-holdings-reports-first-quarter-2019-results-300847659.html>

SOURCE Remark Holdings, Inc.