



Remark Holdings Reports Fourth Quarter and Full Year 2018 Results

April 1, 2019

Executing on Various Stages of Deployment of KanKan AI Technology Across Multiple Sectors Beginning to Record Corresponding Revenues from Retail and Safety/Security Initiatives

LAS VEGAS, April 1, 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 fourth quarter and full year ended December 31, 2018.

Management Commentary

"We closed the year on a strong note, generating solid top-line growth at both of our business segments," said Kai-Shing Tao, Chairman and Chief Executive Officer of Remark Holdings. "Our success in turning around Vegas.com under our ownership during the past three years has allowed us to move forward in monetizing this asset and transitioning into a pure-play AI enterprise. Our sale of Vegas.com will allow us to substantially reduce our debt, restructure our balance sheet and streamline our cost structure, as we shift all of our attention on expanding our AI business.

"KanKan contributed \$2.4 million to our fourth quarter revenues; which excludes an additional \$4.6 million that will be recognized in future periods, beginning in the second quarter of 2019. KanKan's fourth quarter delivery was its highest since we launched our AI operations. Our operating momentum has continued in the first quarter of 2019, as we demonstrate the effectiveness of our solutions at retail, including elevating engagement, increasing sales and driving deeper connections with shoppers.

"Looking ahead, we're focused on building on the success of our retail launch, while continuing to work with our partners in the safety and security space to develop tailored AI solutions for construction sites, campuses, restaurants, and traffic monitoring and enforcement. As a pure-play AI company, we will be optimally positioned to maximize our resources, including our proprietary technology, to expand our business in multiple sectors, with the goal of building a stream of recurring revenues, supported by modest recurring capital costs."

Recent Strategic and Operational Highlights

- Continued to work closely with a diverse group of clients in executing on various stages of deployment regarding KanKan AI solutions in retail, construction sites, traffic control, restaurants and entertainment.
- Entered into an agreement to sell Vegas.com, LLC to VDC-MGG Holdings LLC, an affiliate of Remark's senior lenders, for an anticipated enterprise value of approximately \$45 million. The cash proceeds of the transaction will be used to pay amounts due to Remark's senior lenders, leaving only approximately \$10 million of remaining debt owed to the senior lenders.
- The sale of Vegas.com will transform Remark into a pure play AI company and allow the company to significantly reduce debt, restructure its balance sheet and its cost structures. The sale of Vegas.com remains subject to certain closing conditions, including approval of the transaction by our stockholders. We will hold a special meeting of stockholders 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 December 31, 2018 compared to 2017

- Revenue for the fourth quarter of 2018 was approximately \$22.3 million, compared to \$18.6 million in the fourth quarter of 2017. Results reflect a \$4.0 million increase in revenue resulting from transaction growth in the Travel & Entertainment segment, offset by a \$.3 million decrease in revenue from the Company's other business units. Our Technology & Data Intelligence segment contributed \$2.4 million in revenue from the deployment of our AI-based retail and safety solutions. A further \$4.6 million was delivered for our AI-based public safety and risk management solutions, 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 fourth quarter of 2018 was \$32.4 million, compared to \$40.0 million in 2017, driven in part by a reduction in impairment charges to \$2.2 million, from \$14.6 million in 2017, which included recognized losses of \$5.8 million and \$8.8 million, on impairments of long-lived intangible assets and goodwill respectively, which were acquired through the CBG acquisition. During the fourth quarter of 2018 we also recorded a \$.6 million impairment of the remaining long-lived intangible asset acquired in the CBG acquisition, and a \$1.6 million impairment of goodwill related to the sale of substantially all the remaining assets of Banks.com.
- The Company's cost and expense for the fourth quarter of 2018 also included a \$4.7 million increase in cost of revenue in the Technology and Data Intelligence segment to deliver projects, and a \$1.5 million increase in paid-search costs in the Travel & Entertainment segment resulting from the competitive nature of the paid-search marketplace. Also, during the same period, Remark recorded \$2.0 million less in employee stock compensation.
- Operating loss was \$10.1 million, compared to \$21.4 million due to the decrease in total cost and expense.
- Adjusted EBITDA was negative \$4.6 million, compared to negative \$2.2 million.
- Net loss was \$(7.1) million, or \$(0.19) per diluted share, compared to a net loss of \$(89.2) million or \$(3.47) per diluted

share. Net loss for the fourth quarter of 2018 included a non-cash gain of \$5.7 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 the period. The same period of 2017 included a non-cash loss of \$66.5 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 that period.

- At December 31, 2018, the cash and cash equivalents balance was \$14.4 million, and total restricted cash was \$11.1 million, bringing the total combined cash position to \$25.5 million, compared to a total combined cash position of \$34.3 million at December 31, 2017. Cash decreased primarily due to an increase in total expense as the Company grew its operations in China and engaged in multiple proof-of-concept projects, the timing of payments related to elements of working capital, and paying security deposits related to the Travel & Entertainment business.

Conference Call Information

Mr. Tao will hold a conference call today April 1, 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: 800-289-0438
International Number: 323-794-2423
Conference ID: 8109233

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 April 5, 2019.

Toll-Free Replay Number: 844-512-2921
International Replay Number: 412-317-6671
Replay ID: 8109233

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.

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.

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[Tables to follow]

REMARK HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(dollars in thousands, except par values)

Assets

<u>December 31,</u>	
<u>2018</u>	<u>2017</u>

Cash and cash equivalents	\$ 14,410	\$ 22,632
Restricted cash	11,138	11,670
Trade accounts receivable, net	6,369	3,673
Prepaid expense and other current assets	12,128	5,518
Notes receivable, current	100	290
Total current assets	44,145	43,783
Notes receivable	—	100
Property and equipment, net	10,570	13,387
Investments in unconsolidated affiliates	2,005	1,030
Intangibles, net	17,930	23,946
Goodwill	18,514	20,099
Other long-term assets	644	1,192
Total assets	\$ 93,808	\$ 103,537
Liabilities and Stockholders' Equity		
Accounts payable	\$ 30,876	\$ 17,857
Accrued expense and other current liabilities	24,664	18,795
Deferred merchant booking	4,664	9,027
Contract Liability	4,063	3,691
Note payable	3,000	3,000
Current maturities of long-term debt, net of unamortized discount and debt issuance cost	35,314	38,085
Total current liabilities	102,581	90,455
Warrant liability	1,383	89,169
Other liabilities	2,968	3,501
Total liabilities	106,932	183,125
Commitments and contingencies (Note 13)		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value; 100,000,000 shares authorized; 39,053,312 and 28,406,026 shares issued and outstanding; each at December 31, 2018 and 2017, respectively	39	28
Additional paid-in-capital	308,018	220,117
Accumulated other comprehensive loss	32	115
Accumulated deficit	(321,213)	(299,848)
Total stockholders' equity (deficit)	(13,124)	(79,588)
Total liabilities and stockholders' equity	\$ 93,808	\$ 103,537

See Notes to Consolidated Financial Statements

REMARK HOLDINGS, INC. AND SUBSIDIARIES

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

	Year Ended December 31,	
	2018	2017
Revenue, net	\$ 79,110	\$ 70,601
Cost and expense		
Cost of revenue (excluding depreciation and amortization)	24,628	16,909
Sales and marketing ¹	38,391	33,252
Technology and development ¹	13,332	11,642
General and administrative ¹	33,344	19,391
Depreciation and amortization	10,875	11,070
Impairments	2,209	14,646
Other operating expense ¹	1,084	1,070
Total cost and expense	123,863	107,980
Operating loss	(44,753)	(37,379)
Other income (expense)		
Interest expense	(6,491)	(4,645)
Other income, net	282	23
Change in fair value of warrant liability	27,879	(64,139)
Other gain (loss)	858	(317)
Total other income (expense), net	22,528	(69,078)
Loss before income taxes	(22,225)	(106,457)
Benefit from (provision for) income taxes	667	(278)

Net loss	<u>\$ (21,558)</u>	<u>\$ (106,735)</u>
Other comprehensive income (loss)		
Foreign currency translation adjustments	<u>(83)</u>	<u>131</u>
Comprehensive loss	<u>\$ (21,641)</u>	<u>\$ (106,604)</u>
Weighted-average shares outstanding, basic and diluted	<u>34,545</u>	<u>23,763</u>
Net loss per share, basic and diluted	<u>\$ (0.62)</u>	<u>\$ (4.49)</u>

¹ Includes share-based compensation as follows:

Sales and marketing	\$ 129	\$ —
Technology and development	(280)	716
General and administrative	13,098	3,504
Other operating expense	\$ 1	\$ —

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