

# 2Q23 Presentation



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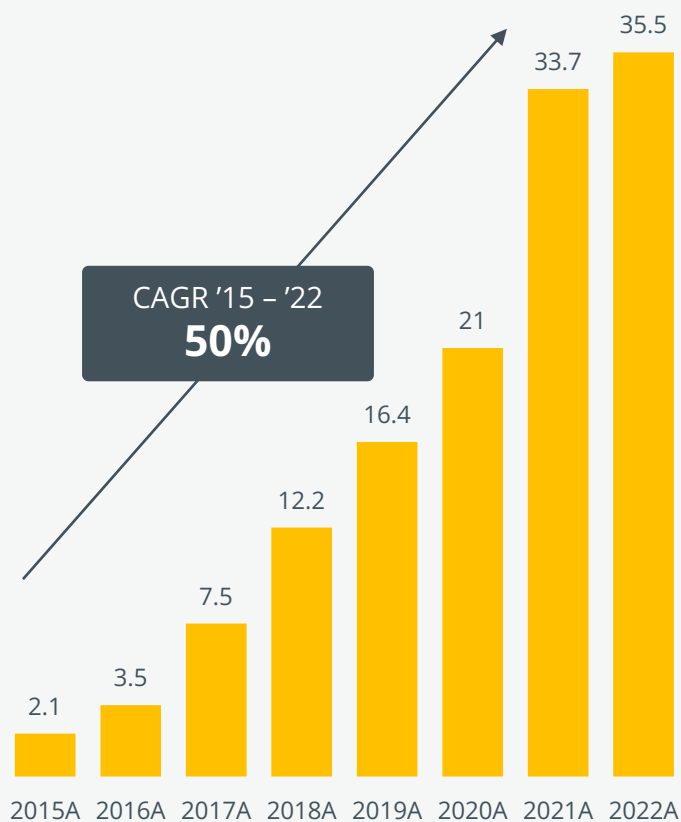
# Purpose

Empower the world to **breathe better**



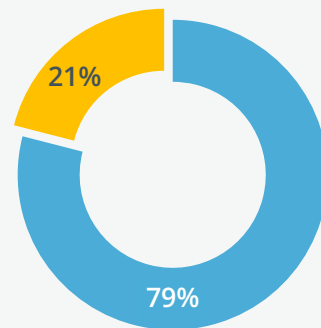
# High-growth and expanding business

REVENUE (USD M)

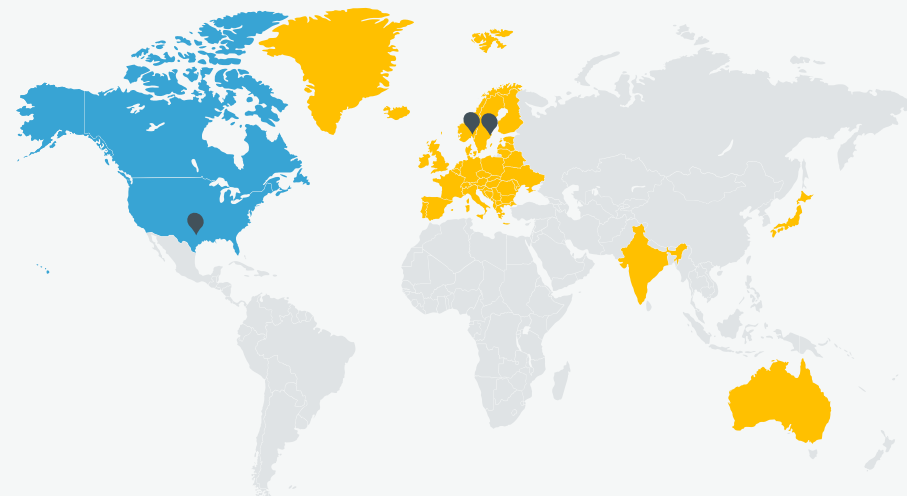


REVENUE SPLIT (YTD 2Q23)

Europe/RoW



Americas



KEY Consumer CHANNELS



SELECTED Airthings for Business PARTNERS

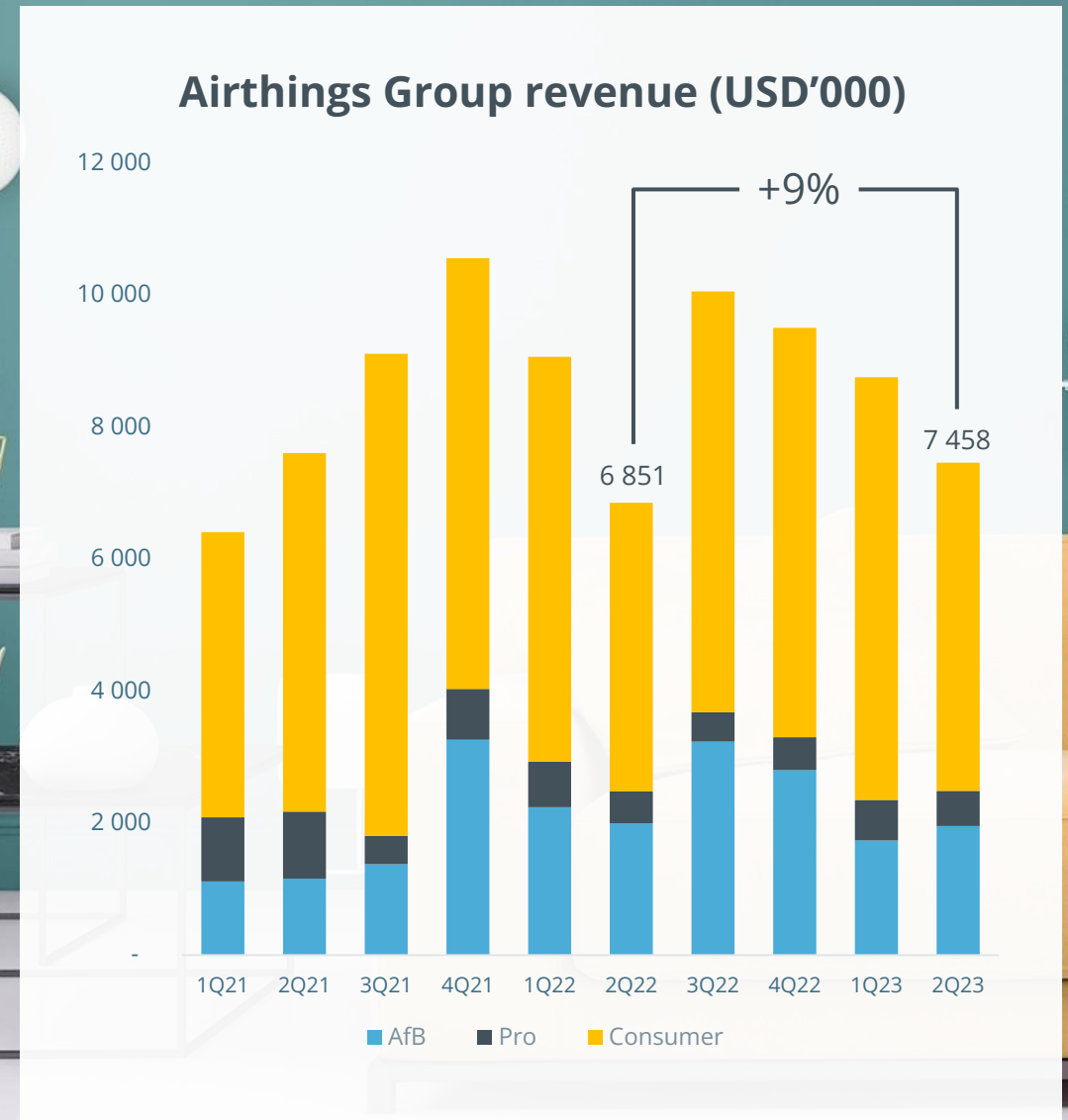


AWARENESS



# Growth in second quarter

- Sales revenue of **USD 7.5M**, up 9% YoY
  - 14% growth in Consumer segment
  - Airthings for Business largely flat
- Gross profit margin of **62%**
  - Lower margins in Consumer offset by relatively robust margins in other segments
  - Up 6%-points from 1Q23, and up 4%-points from 2Q22
- 3Q23 revenue guidance of **USD 9.0 – 12.0M**



# 2Q Highlights

14% growth in  
Consumer  
Revenues, and  
overall **GPM of 62%**



Launch of **Space Utilization**  
reinforcing software-  
centric product focus



Strengthening of key  
channel relationship  
with rollout of Wave  
Radon across **800**  
**Home Depot** locations

Long-term megatrends  
fueling **regulatory**  
**tailwinds** expected to  
boost demand for IAQ  
monitoring



Expansion in the California school  
market with **5,000 devices** sold  
under the **CalSHAPE** program

Seeing early effects of  
strategy refinement with  
**OPEX reductions of**  
**~10%** both YoY<sup>1</sup> and QoQ

Challenging  
investment  
climate and flat  
revenue  
development in  
Airthings for  
Business

1. After accounting for one-off costs in 2Q22. If one-off costs are included the decline YoY is 21%

# Update by Segment



## **Consumer** **“Your Air Coach”**

**For everyone  
with a home**

Improve quality of living  
and health



## **Business** **“Breathing life into buildings”**

**For every office, school  
and public building**

Improve health, productivity &  
energy efficiency



## **Pro**

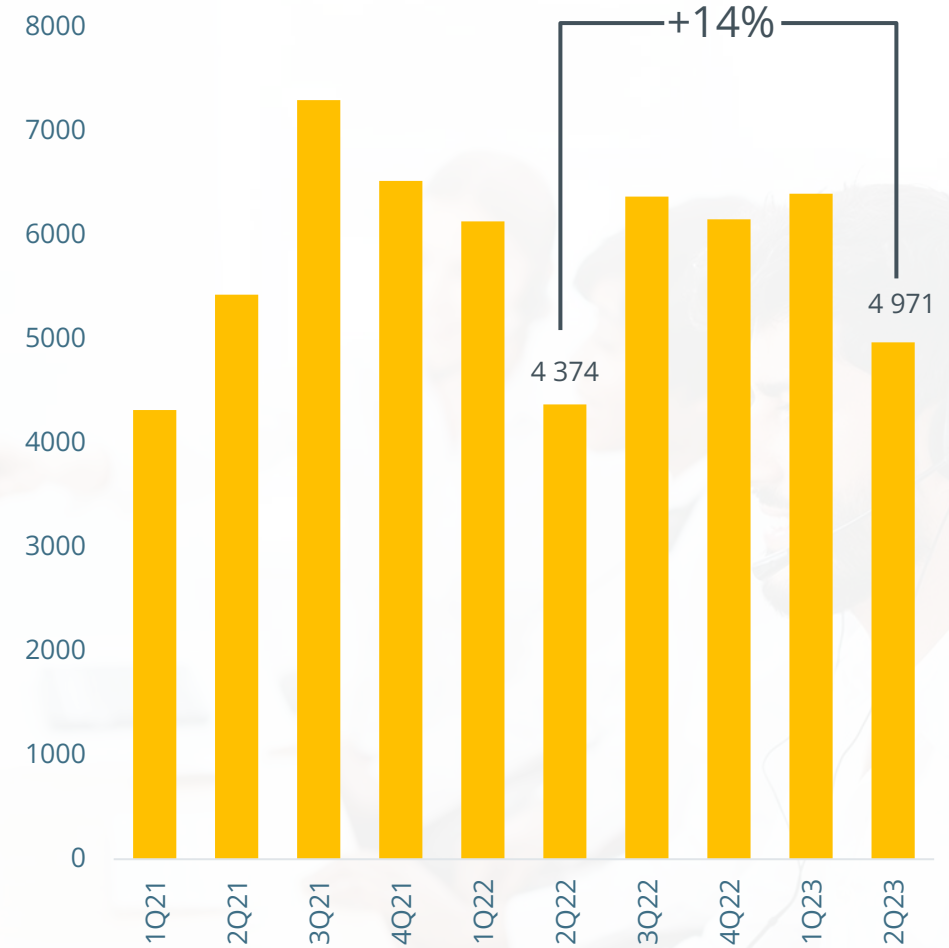
For home inspectors &  
radon professionals



# Consumer Segment 2Q Update

- Revenue of **USD 5.0M**, up 14% YoY
- Gross Profit Margin was **58%** in **2Q**, up ~9%-points from 1Q23
  - Continued but less intensive promotional activities
- Heightened focus on own channel showing early results, with YTD growth of >70% on Airthings.com
- Further deepening of relationships with key channel partners such as Home Depot and Amazon

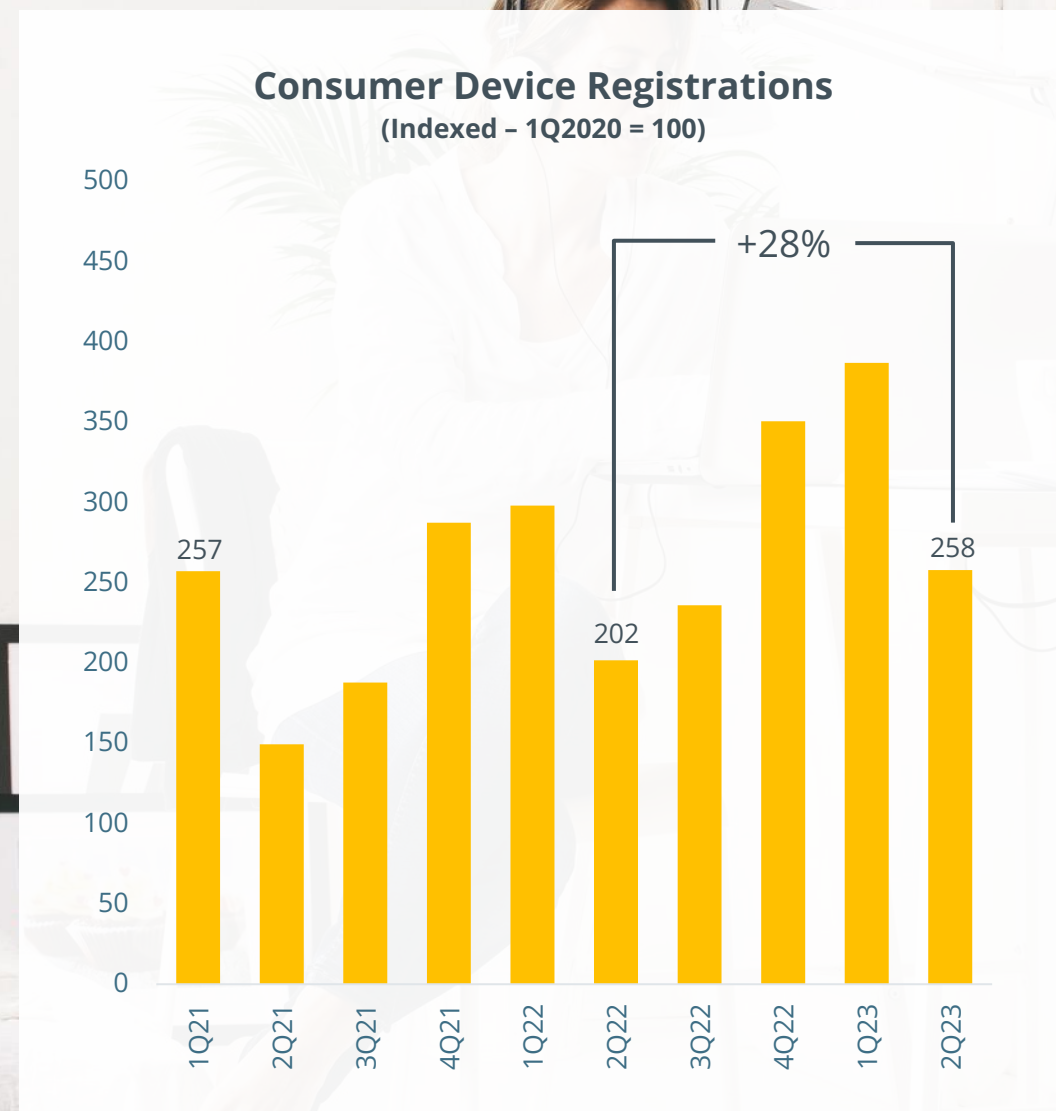
Consumer Sales Revenue (USD'000)



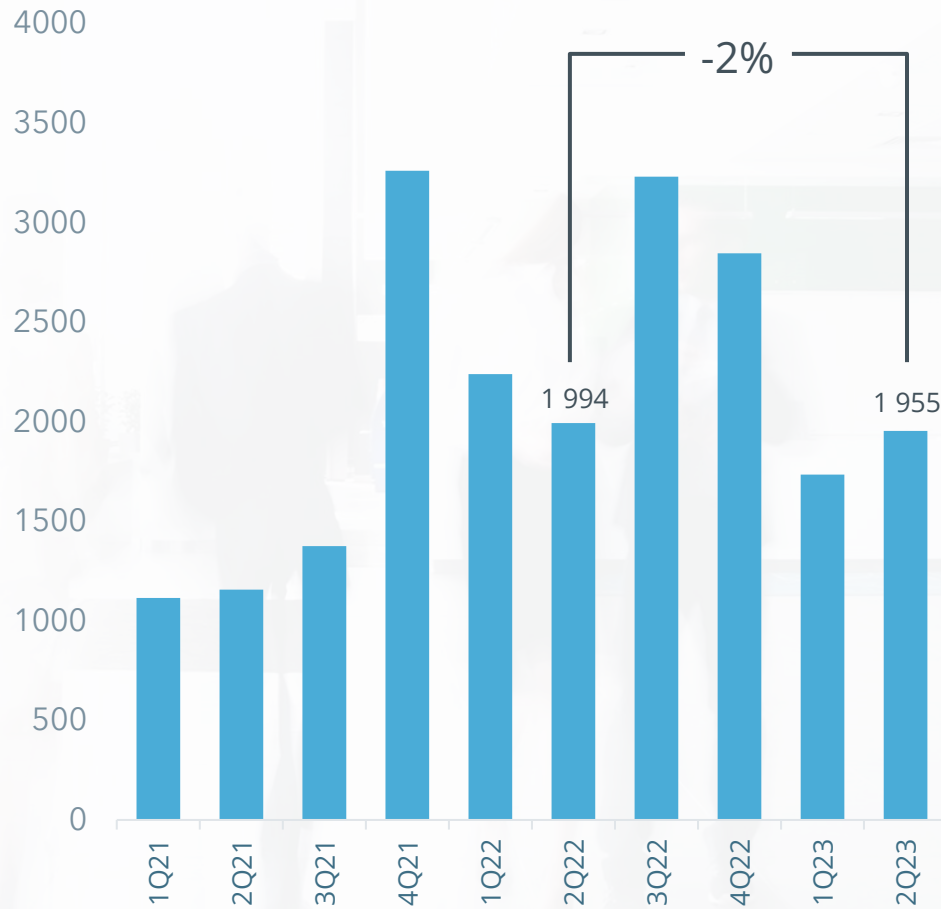


# Continued growth in Consumer device registrations

- New devices are registered when linked to an Airthings app
- Proxy for end-user demand of smart devices
- Growth of 28% in 2Q 2023 vs. 2Q 2022
- Growth in device registrations continues to outstrip revenue growth, due primarily to promotional activity



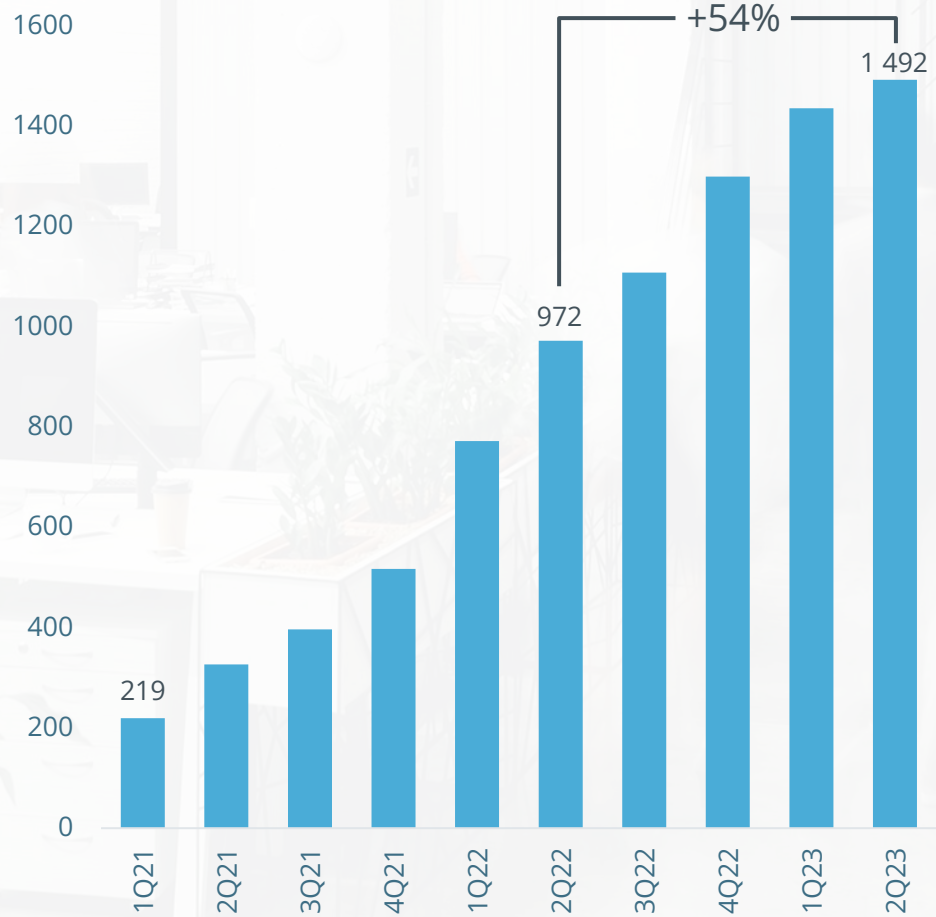
AfB Sales Revenue (USD'000)



## Business Segment 2Q Update

- Sales revenue of **USD 2.0M**, down 2% YoY
- **67%** Gross Profit Margin
  - Larger share of subscription revenues
- Positive signals despite challenging investment climate
  - Roll-out in selected California schools
  - Recent regulatory developments
  - Partnership with Rentokil Initial
  - Stronger pipeline

**Devices in the field (AfB)**  
(Indexed - 3Q2020 = 100)



# Devices in the field continuing to expand

- Devices in the field grew by 54% in 2Q 2023 vs. 2Q 2022, and up 4% vs. 1Q 2023
- Driver of underlying growth in ARR

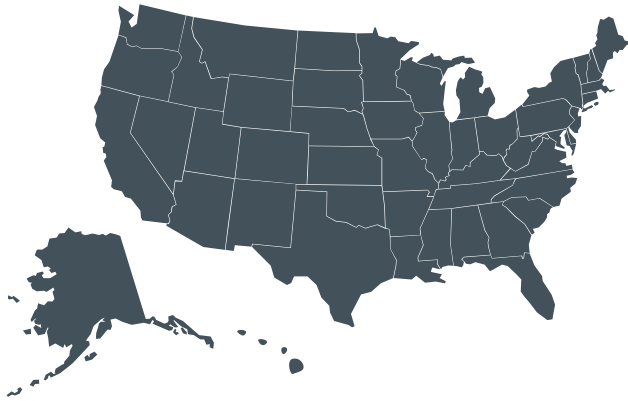


# Case study: California Schools



- 15 schools equipped with **5,000** Airthings devices across California
- Roll-out falls under the California Schools Healthy Air, Plumbing and Efficiency program (CalSHAPE)
- CalSHAPE was established by Assembly Bill 841 in 2020 and provides grants to supply classrooms with CO2 monitors

# California case study a proof-point of broader regulatory tailwinds



- **No federal regulations currently, however ...**
    - Centers for Disease Control and Prevention (CDC) recently issued new Indoor Air Quality (IAQ) standards
    - American Society for Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) just announced draft standards for maintaining IAQ
  - **Seven states, including California, require monitoring of IAQ in schools**
    - Representing roughly 8.3 million students and ~300,000 classrooms
- 



- **EU-wide directives and guidelines already in place**
  - Energy Performance of Building Directive (EPBD) requires member states to establish minimum energy performance requirements for buildings
  - Indoor Air Quality Directive (2009/125/EC) establishes minimum requirements for energy efficiency and indoor air quality
- **Non-member states, such as UK and Norway, with own sets of requirements**
  - With IAQ included in requirements to provide a safe working environment



**Rentokil**  
**Initial**

## Partnership with Rentokil Initial

- Rentokil Initial is a global leader in commercial pest control and hygiene services, operating in over 90 countries
- Partnership combines Rentokil Initial's expertise in hygiene and air purification services with Airthings's advance monitoring technology
- Providing comprehensive and accurate indoor air quality data for businesses
- Enabling strategic targeting of the root causes of poor air quality in schools, commercial real estate, and shopping malls



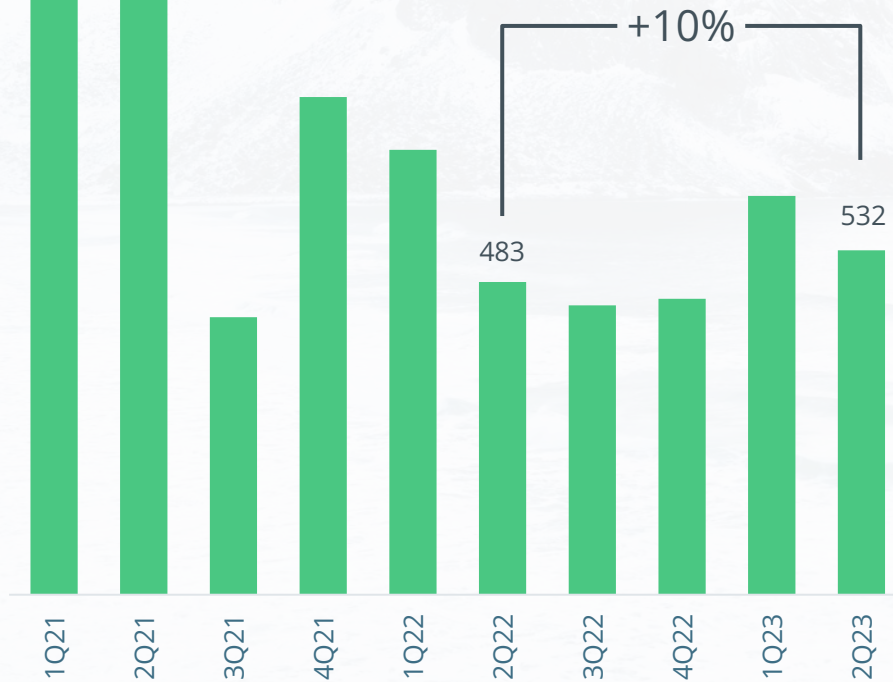
# Space Utilization

New feature measuring occupancy and space usage

- First-ever indoor air quality monitoring tool with occupancy detection
- Increased energy efficiency and cost reductions in buildings from data-driven approach:
  - Identify underutilized areas and reallocate space
  - Reprogram HVAC systems to match room usage
  - Monitor occupancy and ventilation to optimize indoor air quality
- Presence detected without use of cameras, protecting privacy

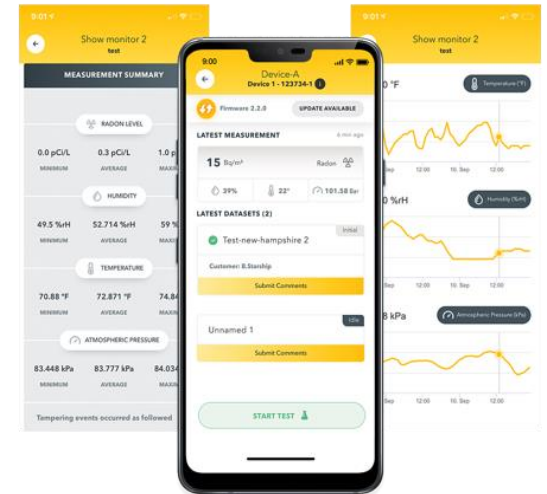


## Pro Sales Revenue (USD'000)



## Pro Segment 2Q Update

- Sales revenue of **USD 0.5M**, representing an increase of **10% YoY**
- Challenging home inspector market, leading to slow sales in the segment
- **86%** Gross Profit Margin down 1%-point from 1Q23



# Annual Recurring Revenue (ARR)

- ARR of **USD 4.0M**, up 25% YoY overall, and up 46% YoY for AfB
- Largely flat from with prior quarter, with increases in the Airthings for Business segment compensating for declines in PRO
- **>80%** gross profits from ARR
- 3Q23 ARR guidance of **USD 4.1 – 4.4M**, mainly driven by continued new sales in Airthings for Business

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







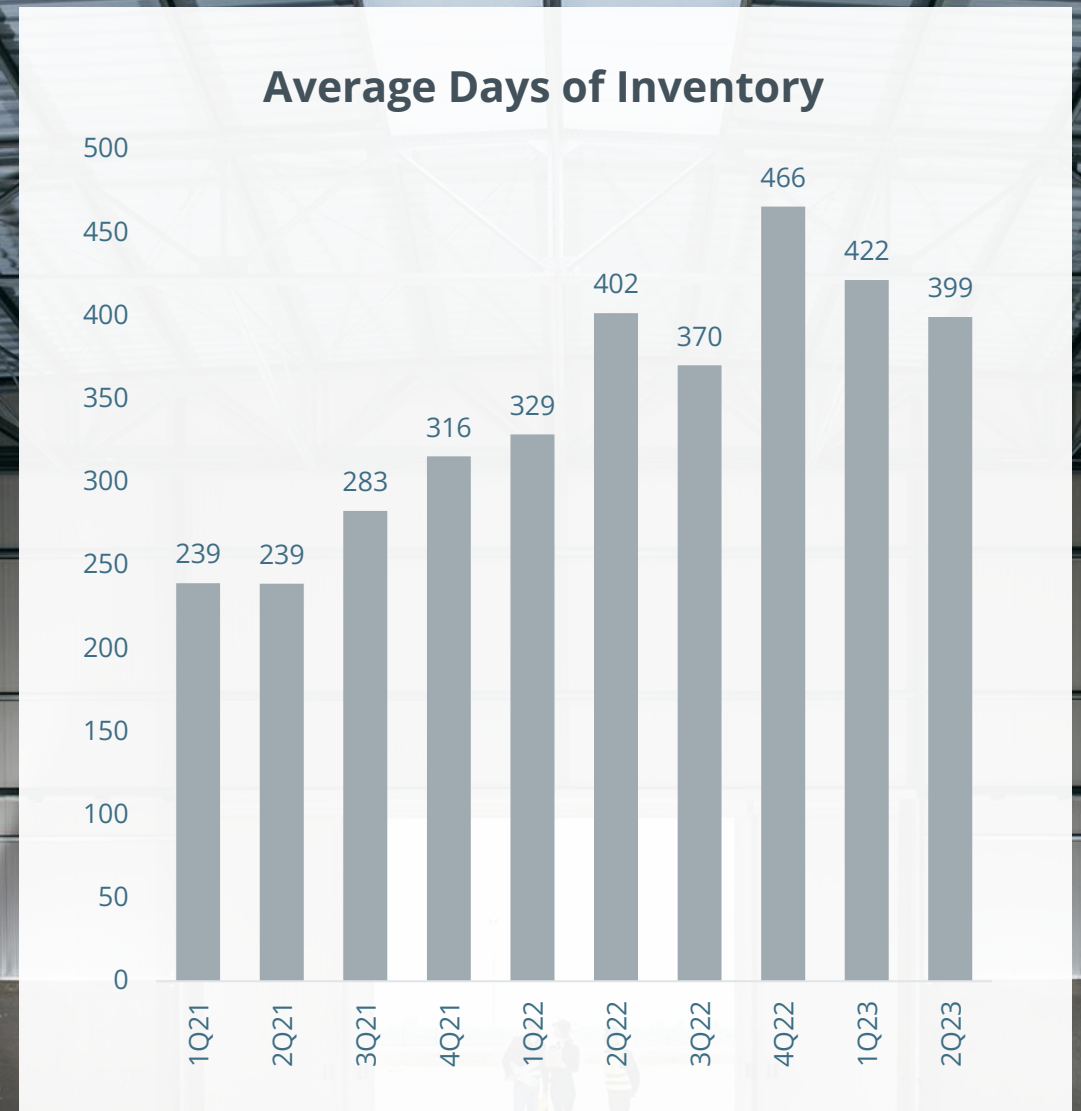
# Financials

Jeremy Gerst, CFO



# Elevated but improving Inventory situation

- **USD 0.9M** decline in overall Inventories over the course of 2Q
- Modest decline in Average Days of Inventory from 422 to 399
- These improvements reflect the active steps taken in terms of promotional activities and reductions in inbound supply
- The continued elevated levels of Inventories, however, warrant further steps being taken over the course of 3Q



Note: Days of Inventory calculation – Inventories / (4 quarter rolling average COGS) \* 90 days in quarter

# Income Statement

Sales revenue of **USD 7.5M** in 2Q23, up 9% YoY, and 2% YTD

Sales gross margin of **62%**

- High margins in Airthings for Business and Pro offsetting somewhat reduced margins in Consumer

EBITDA of **USD -2.7M**

- Reduced Payroll expenses and other operating expenses compared to 2Q22
- Even when accounting for one-off expenses in 2Q22, Payroll and Other OPEX USD 0.7M lower

EBIT of **USD -3.1M**

- Depreciation of right-of-use assets for leases recognized under IFRS 16

(USD'000)	2Q23	2Q22	YTD 2023	YTD 2022
<b>Total revenue</b>	<b>7 457</b>	<b>6 851</b>	<b>16 209</b>	<b>15 913</b>
Cost of sales	2 830	2 872	6 717	6 606
<b>Gross profit</b>	<b>4 627</b>	<b>3 979</b>	<b>9 492</b>	<b>9 307</b>
Sales Gross Margin	62%	58%	59%	58%
Payroll expenses	4 261	4 999	8 433	9 431
Other operating expenses	3 100	4 363	6 999	8 692
<b>EBITDA</b>	<b>-2 734</b>	<b>-5 383</b>	<b>-5 940</b>	<b>-8 816</b>
Depreciation and amortization	375	381	762	756
Impairment	0	1 522	0	1 522
<b>Operating profit / EBIT</b>	<b>-3 109</b>	<b>-7 285</b>	<b>-6 702</b>	<b>-11 094</b>
Financial income / (expenses)	285	1 529	1 273	1 241
<b>Profit (loss) before tax</b>	<b>-2 825</b>	<b>-5 756</b>	<b>-5 430</b>	<b>-9 853</b>
Income tax	612	-1 306	1 136	-2 271
<b>Net profit (loss)</b>	<b>-2 212</b>	<b>-4 451</b>	<b>-4 293</b>	<b>-7 582</b>
<b>Earnings per share (USD)</b>				
Basic earnings per share	-0.01	-0.03	-0.02	-0.04
Diluted earnings per share	-0.01	-0.03	-0.02	-0.04

Note: Financial income in 2Q23 is due to exchange rate fluctuations



# Balance Sheet

## Change in assets

- Deferred tax asset
- Inventories
- Trade receivables
- Cash due to profitability, working capital, and exchange rates

## Change in liabilities

- Significant portion of equity decline due to exchange rate between NOK and USD
- Non-current interest-bearing liabilities due to loan from Innovation Norway
- Trade and other payables

(USD'000)	30.06.2023	30.06.2022
<b>Assets</b>		
Intangible assets	2 840	1 495
Goodwill	2 628	2 841
Property, plant and equipment	729	916
Right-of-use assets	2 740	3 488
Deferred tax assets	7 665	6 065
Other non-current assets	82	190
<b>Total non-current assets</b>	<b>16 684</b>	<b>14 995</b>
Inventories	16 168	16 413
Trade receivables	8 152	9 225
Other receivables	4 662	2 939
Cash and cash equivalents	17 380	23 170
<b>Total current assets</b>	<b>46 363</b>	<b>51 746</b>
<b>Total assets</b>	<b>63 047</b>	<b>66 742</b>
<b>Total equity</b>	<b>49 326</b>	<b>53 350</b>
Non-current interest-bearing liabilities	1 300	0
Non-current lease liabilities	2 156	2 874
Deferred tax liabilities	0	0
Non-current provisions	72	183
<b>Total non-current liabilities</b>	<b>3 529</b>	<b>3 058</b>
Lease liabilities	837	853
Trade and other payables	5 611	6 281
Contract liabilities	1 296	971
Income tax payable	32	9
Government grants	0	0
Provisions	2 416	2 222
<b>Total current liabilities</b>	<b>10 153</b>	<b>10 334</b>
<b>Total equity and liabilities</b>	<b>65 558</b>	<b>66 742</b>

# Cash Flow Statement

## Cash flow from operating activities USD 2.6M

- Operating losses more than offset by working capital improvements

## Cash flow from investment activities of USD -0.3M

- Internally generated intangible assets, purchase of software, production tooling and office equipment

## Cash flow from financing activities of USD 1.1M

- Loan from Innovation Norway

## Net unrealized foreign exchange difference of USD -1.4M



# Summary and outlook





# Recall: Airthings' refined strategy, focused on three key pillars

1

## Go-to-market strategy

- Own the customer relationship and move towards a digital-first GTM model
- Improve scalability and unit economics
- Narrow geographic focus, and go deeper rather than broader

2

## Product focus

- Become a hardware-enabled software company, with a software-first mentality
- Create awesome customer experiences and sell more to existing customers

3

## Operating model

- Transition to a more automated way of operating that properly enables growth
- Focus on continuously reducing both variable and fixed costs



*More details and progress to be shared in Airthings's Capital Market Update on October 26th*

# Summary

- Revenue of USD 7.5M, ARR of USD 4.0M, and Gross Profit Margin of 62%
- 14% growth in the Consumer segment, with largely flat revenue development in the Airthings for Business segment
- However, positive signals in the Airthings for Business segment in the form of regulatory momentum, new partnerships, and expansion into California educational market
- Modest reduction of overall inventory levels improvement seen in Days of Inventory, alongside an increase in Cash
- Progress achieved in terms of strategy refinement focused on honing the go-to-market approach, reinforcing a software-centric product focus and improving the operating model
- 46% YoY growth in ARR from Airthings for Business and >70% YTD growth on airthings.com



# 3Q23 Outlook

- 3Q23 revenue estimated at USD 9.0 – 12.0M
- ARR expected to grow to USD 4.1 – 4.4M by the end of the third quarter

## Guidance 3Q23

Revenue and ARR guidance (USD M)	3Q23
Revenue	9.0 – 12.0
Annual Recurring Revenue	4.1 – 4.4



# Long-term outlook supported by lasting factors and megatrends

## Consumer Segment



Health  
tech



Smart  
home

- We spend **90%** of our time indoors, where the air is **2 to 5 times** worse than outside
- Radon is the **leading cause for lung cancer** among those that do not smoke
- The EU is estimating that **350,000 premature deaths** are caused by fine particulate matter annually, carrying a yearly economic cost of up to EUR 940 billion
- About **55 million people** have asthma in the US and Europe combined. Particle pollution is found to be a major cause of asthma
- Rapid increase in instances of wildfires in the US and globally showing an **increase in the risk** of both cardiovascular- and respiratory-related effects
- Increasing IoT adoption is **fueling growth** of smart home market going forward

## Business Segment



Sustainability



Energy  
efficiency



Regulations

- **~4/5** of today's building will still exist in 2050 – meaning we need to find ways to improve their sustainability
- **40%** of global energy consumption comes from commercial buildings – representing an enormous opportunity to save costs and CO2
- Most existing buildings don't have an automated system for HVAC control
- **6 out of 10 students** are exposed to CO2 levels higher than the recommended threshold of 1,000 ppm
- Regulation and Legislation for building energy performance and health of workers
- IoT and digitalization for more efficient facility management
- ESG and sustainability





**Breathe better. Live better.**

Q&A

