UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2024

Commission file number: 001-38203

Mynd.ai, Inc.

(Exact name of Registrant as specified in its charter)

Not applicable

(Translation of Registrant's name into English)

Maples Corporate Services Limited,
PO Box 309,
Ugland House,
Grand Cayman KY1-1104
Cayman Islands

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Yes Form 40-F ☐ No

INFORMATION CONTAINED IN THIS REPORT ON FORM 6-K

Financial Results for the Six Months Ended June 30, 2024 and 2023

On August 28, 2024, Mynd.ai, Inc. (the "Company") released its unaudited interim consolidated financial statements as of June 30, 2024 and for six months ended June 30, 2024 and 2023 (the "First Half Financials"). In addition, the Company released a management's discussion and analysis relating to the six months ended June 30, 2024 (the "First Half MD&A"). The First Half Financials and the First Half MD&A are attached to this Report on Form 6-K as Exhibit 99.1 and Exhibit 99.2, respectively.

This report on Form 6-K, including Exhibit 99.1 and 99.2, shall be deemed to be incorporated by reference into the Company's registration statements (i) on Form S-8 (Registration Number: 333-278480) and (ii) on Form F-3 (Registration Number: 333-280953), each as filed with the U.S. Securities and Exchange Commission and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

Exhibit No	Description
99.1	Consolidated Financial Statements of Mynd.ai, Inc. (unaudited) as at June 30, 2024
99.2	Management Discussion and Analysis as at June 30, 2024
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized..

Mynd.ai, Inc.

By:	/s/ Vin Riera
Name:	Vin Riera
Title:	Chief Executive Officer

Date: August 28, 2024

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Mynd.ai, Inc.

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Mynd.ai, Inc.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 69,377	$ 91,784
Accounts receivable, net of allowance for credit losses of $1,617 and $2,599, respectively	67,660	63,865
Inventories	33,662	53,098
Prepaid expenses and other current assets	12,432	14,666
Due from related parties	2,319	2,759
Total current assets	185,450	226,172
Non-current assets:		
Goodwill	45,545	46,924
Property, plant, and equipment, net	14,896	11,878
Intangible assets, net	48,647	51,450
Right-of-use assets	7,882	7,491
Deferred tax assets, net	16,659	56,381
Other non-current assets	4,684	4,094
Total non-current assets	138,313	178,218
Total assets	323,763	404,390
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	52,177	59,595
Accrued expenses and other current liabilities	37,243	45,389
Loans payable, current	21,292	31,942
Contract liabilities	16,107	14,110
Accrued warranties	15,449	17,871
Lease liabilities, current	4,011	4,412
Due to related parties	6,107	5,080
Current liabilities of discontinued operations	—	163
Total current liabilities	152,386	178,562
Non-current liabilities:		
Loans payable, non-current (Note 14)	57,741	64,859
Loans payable, related parties, non-current	4,715	4,670
Contract liabilities, non-current	21,054	21,762
Lease liabilities, non-current	3,986	3,412
Deferred tax liabilities	1,197	1,317
Other non-current liabilities	3,814	4,250
Total non-current liabilities	92,507	100,270
Total liabilities	244,893	278,832
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Ordinary shares par value of $0.001; 990,000,000 shares authorized, 456,477,820 shares issued and outstanding as of both June 30, 2024 and December 31, 2023. 10,000,000 shares, $0.001 par value, without designation.	456	456
Additional paid-in capital	474,501	473,590
Accumulated other comprehensive income	3,724	3,513
Accumulated deficit	(401,630)	(353,890)
Total Mynd.ai, Inc. shareholders' equity	77,051	123,669
Non-controlling interest	1,819	1,889
Total shareholders' equity	78,870	125,558
Total liabilities and shareholders' equity	$ 323,763	$ 404,390

See accompanying notes to the unaudited consolidated financial statements.

Mynd.ai, Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

	Six months ended June 30,	
	2024	**2023**
Revenue	$ 165,983	$ 222,497
Cost of sales	120,607	164,036
Gross profit	45,376	58,461
Operating expenses:		
General and administrative	20,217	18,313
Research and development	13,413	18,508
Sales and marketing	22,497	30,315
Transaction related costs	125	8,472
Restructuring	1,218	2,170
Total operating expenses	57,470	77,778
Operating loss	(12,094)	(19,317)
Other income (expense):		
Interest expense	(5,518)	(2,366)
Interest income	1,314	6
Gain on embedded derivative	9,249	—
Other income (expense), net	(1,066)	1,294
Total other income (expense)	3,979	(1,066)
Net loss from continuing operations, before income taxes	(8,115)	(20,383)
Income tax benefit (expense)	(39,631)	5,143
Net loss from continuing operations	(47,746)	(15,240)
Loss from discontinued operations, net of tax	(64)	(431)
Net loss	$ (47,810)	$ (15,671)
Net loss from continuing operations attributable to non-controlling interest	$ (70)	$ —
Net loss attributable to ordinary shareholders of Mynd.ai, Inc. from continuing operations	(47,676)	(15,240)
Net loss attributable to ordinary shareholders of Mynd.ai, Inc.	(47,740)	(15,671)
Basic and Diluted		
Net loss per share attributable to ordinary shareholders of Mynd.ai, Inc. from continuing operations	$ (0.10)	$ (0.04)
Net loss per share attributable to ordinary shareholders of Mynd.ai, Inc. from discontinued operations	—	—
Net loss per share attributable to ordinary shareholders of Mynd.ai, Inc.	(0.10)	(0.04)
Weighted average shares outstanding used in calculating net loss per share	456,477,820	426,422,220

See accompanying notes to the unaudited consolidated financial statements.

Mynd.ai, Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Six months ended June 30,	
	June 30, 2024	**June 30, 2023**
Net loss	$ (47,810)	$ (15,671)
Change in foreign currency translation adjustments	211	(1,920)
Total comprehensive loss	(47,599)	(17,591)
Less: comprehensive loss attributable to non-controlling interest	(70)	—
Comprehensive loss attributable to Mynd.ai Inc.	$ (47,529)	$ (17,591)

See accompanying notes to the unaudited consolidated financial statements.

Mynd.ai, Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(in thousands, except for share and per share data)

	Ordinary Shares	Amount	APIC	AOCI	Accumulated Deficit	Total Mynd.ai Shareholders' Equity	Non - controlling Interest	Total Shareholders' Equity
Balance as of January 1, 2024	456,477,820	$ 456	$ 473,590	$ 3,513	$ (353,890)	$ 123,669	$ 1,889	$ 125,558
Net loss	—	—	—	—	(47,740)	(47,740)	(70)	(47,810)
Foreign currency translation	—	—	—	211	—	211	—	211
Share-based compensation	—	—	1,131	—	—	1,131	—	1,131
Other equity adjustments	—	—	(220)	—	—	(220)	—	(220)
Balance as of June 30, 2024	456,477,820	$ 456	$ 474,501	$ 3,724	$ (401,630)	$ 77,051	$ 1,819	$ 78,870
Balance as of January 1, 2023	426,422,220	$ 426	$ 448,065	$ 4,546	$ (316,026)	$ 137,011	$ —	$ 137,011
Net loss	—	—	—	—	(15,671)	(15,671)	—	(15,671)
Foreign currency translation	—	—	—	(1,920)	—	(1,920)	—	(1,920)
Contributions from Controlling Shareholder	—	—	2,707	—	—	2,707	—	2,707
Balance as of June 30, 2023	426,422,220	$ 426	$ 450,772	$ 2,626	$ (331,697)	$ 122,127	$ —	$ 122,127

See accompanying notes to the unaudited consolidated financial statements.

Mynd.ai, Inc.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Six months ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (47,810)	$ (15,671)
Loss from discontinued operations, net of tax	64	431
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,044	2,526
Deferred taxes	39,480	(5,143)
Non-cash lease expense	2,894	960
Non-cash interest expenses	2,290	—
Amortization of RDEC credit	(588)	(372)
Gain on embedded derivative	(9,249)	—
Share-based compensation	1,131	—
Change in fair value of earn out liabilities	36	79
Loss on disposal of property, plant and equipment	44	—
Change in operating assets and liabilities:		
Accounts receivable	(4,411)	(23,078)
Inventories	19,531	36,578
Prepaid expenses and other assets	2,558	(300)
Prepaid subscriptions	—	1,424
Due from related parties	409	1,345
Accounts payable	(6,221)	(8,367)
Accrued expenses and other liabilities	(8,495)	(8,408)
Accrued warranties	(2,378)	3,148
Due to related parties	1,028	(1,409)
Contract liabilities	1,397	5,484
Lease obligations - operating leases	(3,042)	(1,148)
Net cash used in operating activities - continuing operations	(7,288)	(11,921)
Net cash used in operating activities - discontinued operations	(64)	(429)
Net cash used in operating activities	(7,352)	(12,350)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(1,084)	(236)
Internal-use software development costs	(3,499)	(1,556)
Repayment of loan receivable, related party	—	8,019
Net cash (used in) provided by investing activities	(4,583)	6,227
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Revolver	(16,770)	(29,000)
Proceeds from Revolver	6,000	28,000
Contingent consideration payments	—	(716)
Repayment of Paycheck Protection Program Loan	(96)	(96)
Proceeds from NetDragon group loans	—	119
Net cash used in financing activities	(10,866)	(1,693)
Net change in cash and cash equivalents	(22,801)	(7,816)
Cash and cash equivalents, beginning of period	91,784	29,312
Exchange rate effects	394	(268)
Cash and cash equivalents, end of period	$ 69,377	$ 21,228
Supplemental disclosure of non-cash investing and financing activities transactions:		
Convertible notes issued in exchange for accrued PIK interest	$ 1,643	$ —
Decrease in goodwill due to measurement period adjustments relating to business acquisition, net	$ 1,228	$ —
Lease assets acquired in exchange for lease liabilities	$ 3,555	$ 550
Supplemental disclosure of cash transactions:		
Cash paid for interest	$ 2,730	$ —
Cash refund, net of cash paid for taxes	$ 967	$ 678

See accompanying notes to the unaudited consolidated financial statements.

Mynd.ai, Inc.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

Note 1. Organization

Mynd.ai, Inc. ("the Company"), a Cayman Islands company, provides global, end-to-end, learning solutions and collaboration tools to help teachers, schools, students, and professionals realize their greatest potential. The Company's global headquarters is in Seattle, Washington, U.S., and it conducts its business through its various subsidiaries throughout the world, with operations principally focused in the U.S., Europe, and the U.K.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements as of June 30, 2024 and for the six months ended June 30, 2024 and June 30, 2023 have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the “SEC”) for a foreign private issuer. Accordingly, they do not include all of the information and notes required by U.S. GAAP for annual financial statements. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with U.S. GAAP have been omitted, provided such omission is not misleading or prohibited by the rules and regulations of the SEC.

In the opinion of management, the unaudited consolidated financial statements contain all normal and recurring adjustments necessary for the fair presentation of the interim periods presented. Operating results for the six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ended December 31, 2024. The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 20-F for the year ended December 31, 2023 filed with the SEC on March 27, 2024 (the “2023 Form 20-F”).

On December 13, 2023, NetDragon Websoft Holdings Limited (“NetDragon”) and Gravitas Education Holdings, Inc. (“GEHI”) completed a series of transactions (the "Merger") that resulted in (i) GEHI divesting its business in China, (ii) NetDragon transferring its education businesses outside of China to eLMTree Inc. (“eLMTree"), (iii) eLMTree becoming a wholly owned subsidiary of GEHI, and (iv) GEHI changing its name to “Mynd.ai, Inc.” The Merger was accounted for as a business combination in accordance with ASC 805, Business Combinations. While GEHI was the legal acquirer of eLMTree, the transaction has been accounted for as a reverse acquisition, and consequently, eLMTree was identified as the acquirer for accounting purposes. The financial statements of the Company prior to closing of the Merger reflect the consolidated and combined financial statements of eLMTree (See Note 3 - Business Combinations). These consolidated and combined financial statements were derived from the separate records maintained by NetDragon, who continues to be a controlling shareholder of the Company (the "Controlling Shareholder"). The financial statements include estimated expense allocations for certain corporate functions historically provided by NetDragon. These allocations may not be reflective of the actual expenses that would have been incurred had the Company operated as a separate entity apart from NetDragon.

As a result of the reverse acquisition, all shares and per share amounts for all periods presented in the accompanying financial statements and notes thereto have been adjusted retroactively. The Company calculated basic loss per share for each comparative period prior to the acquisition date by dividing net loss of the accounting acquirer attributable to ordinary shareholders by the accounting acquirer’s historical weighted-average number of ordinary shares outstanding. The Company calculated the weighted-average number of ordinary shares outstanding (the denominator of the EPS calculation), including the equity interests issued by the legal acquirer to effect the reverse acquisition, as the number of ordinary shares outstanding from the beginning of that period to the acquisition date computed on the basis of the weighted-average number of ordinary shares of the accounting acquirer outstanding during the period multiplied by an exchange ratio derived from the shares exchanged at the Merger date.

The Company represents the consolidated operations of eLMTree Inc. and subsidiaries and Global Eduhub Holdings Limited and subsidiaries ("GEH Singapore"). The eLMTree segment consists of a number of legal entities, including Promethean World Limited and its consolidated subsidiaries (“Promethean”) and Edmodo, LLC (“Edmodo”). The GEH Singapore segment represents Singapore-based kindergarten and student care services that have historically been reported as part of GEHI prior to the Merger.

On September 22, 2022, eLMTree abandoned the operations of the North America geographic region of the Edmodo business. In applying FASB ASC 205-20 *Presentation of Financial Statements – Discontinued Operations* and ASC 360 *Property, Plant, and Equipment*, the Company determined the abandonment qualified for discontinued operations presentation and as such, the consolidated financial statement have been retroactively adjusted, where applicable, to give effect to the discontinued operations for all periods presented (See Note 20 - Discontinued Operation).

Basis of Consolidation

The unaudited consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and its partially owned subsidiaries and non-controlling interests. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Important estimates and assumptions relate to revenue recognition, impairment of obsolete and slow-moving inventories, valuation of assets acquired and liabilities assumed in business combinations, evaluation of finite-lived tangible and intangible assets, goodwill and indefinite-lived intangible assets for impairment, valuation of embedded derivatives, and valuation allowance for deferred tax assets. These estimates and judgments are subject to change based on experience and new information which could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Liquidity and Capital Resources

As of June 30, 2024, the Company had $69,377 in cash and cash equivalents and net working capital of $33,064. During the six months ended June 30, 2024, the Company had net cash outflows from continuing operations of $7,288 and net cash outflows of $7,352 after considering discontinued operations. The Company has in place a revolver with Bank of America, which has a committed line limit of $50,000 through its maturity in January 2028. As of June 30, 2024 and December 31, 2023, the Company had unused borrowing capacity on the revolver of $9,157 and $20,473, respectively, based on the borrowing base calculation as of the respective dates. The Company previously generated additional liquidity by issuing the Convertible Note (as defined Note 14 - Debt) in December 2023.

Given these facts and circumstances, the Company has determined that it is reasonably expected to have adequate financial resources to continue as a going concern for at least the twelve-month period following issuance of these financial statements.

Accounts Receivable and Allowance for Credit Losses

Trade accounts receivables are recorded at the invoiced amount and do not bear interest.

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

The allowance for credit losses is management's best estimate of the credit losses in existing accounts receivable. The Company monitors the financial performance, historical and expected collection patterns, and creditworthiness of its customers so that management can properly assess and respond to changes in their credit profile. The Company also monitors domestic and international economic conditions for the potential future effect on its customers. Past due balances are reviewed individually for collectability. Account balances are charged against the allowance when management determines it is probable the receivable will not be recovered. All allowance for credit losses are charged to general and administrative expenses on the Company's consolidated statements of operations.

The allowance for credit losses as of June 30, 2024, and 2023 was as follows:

	Six months ended June 30,	
	2024	2023
Balance, January 1	$ 2,599	$ 2,970
Adjustments and provision for estimated credit losses	276	(728)
Write offs and collections of accounts receivable	(1,219)	(2)
Foreign currency adjustments	(39)	66
Balance, June 30	**$ 1,617**	**$ 2,306**

Fair Value Measurements

The carrying amounts of the Company's financial assets and liabilities, such as cash and cash equivalents, accounts receivable, due from related parties, current related party loans payable and current liabilities of discontinued operations approximate their fair values because of their short-term nature. The fair value of the Company's loans payable (See Note 14 - Debt), which are categorized as Level 3 within the fair value hierarchy as of June 30, 2024 and December 31, 2023, is not materially different to the carrying value of such facility. The derivative liability associated with the Company's Convertible Note is remeasured at fair value at each reporting date and is classified as Level 3 in the fair value hierarchy (See Note 14 - Debt).

Certain non-financial assets, such as goodwill, intangible assets, right-of-use assets, and property and equipment, are measured at fair value on a non-recurring basis and are adjusted to fair value only if an impairment charge is recognized. Such fair value measures are considered to be within the Level 3 valuation hierarchy due to the subjective nature of the unobservable inputs used. The Company has not recorded any impairment charges to non-financial assets during any of the periods presented.

Share-based Compensation

The Company accounts for share-based compensation in accordance with ASC 718, *Compensation – Stock Compensation*, which requires that the grant-date fair value of such awards is recognized ratably over the related vesting period. The Company accounts for forfeitures as they occur.

Recent Accounting Pronouncements Issued but not yet Adopted

In November 2023, the FASB issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. This ASU updates reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and information used to assess segment performance. The amendments in this ASU are effective for public entities for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is still evaluating the effect of the adoption of this guidance.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which enhances the transparency and decision usefulness of income tax disclosures. The amendments address more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. The ASU also includes certain other amendments to improve the effectiveness of income tax disclosures. The amendments in this ASU are effective for public business entities for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. The Company is still evaluating the effect of the adoption of this guidance.

On March 6, 2024, the SEC approved a rule that will require registrants to provide certain climate-related information in their registration statements and annual reports. The rule requires information about a registrant's climate-related risks that are reasonably likely to have a material impact on its business, results of operations, or financial condition. The required information about climate-related risks also includes disclosure of a registrant's greenhouse gas emissions. In addition, the rules will require registrants to present certain climate-related financial metrics in their audited financial statements. In April 2024, the SEC stayed implementation of the final rule pending completion of judicial review. The Company is evaluating the potential impact of this rule on the consolidated financial statements and related disclosures.

Note 3. Business Combinations

As discussed above, on December 13, 2023, NetDragon and GEHI completed the Merger that resulted in (i) GEHI divesting its business in China, (ii) NetDragon transferring its education businesses outside of China to eLMTree, (iii) eLMTree becoming a wholly owned subsidiary of GEHI, and (iv) GEHI changing its name to “Mynd.ai, Inc.” The Merger was accounted for as a business combination in accordance with ASC 805. While GEHI is the legal acquirer of eLMTree, the transaction was treated as a reverse acquisition, and consequently, eLMTree was identified as the acquirer for accounting purposes. The purchase consideration was measured at the fair value of GEHI shares issued and outstanding at the close of the merger. The difference between the fair value of the GEHI shares issued less the fair value of GEHI’s identifiable assets acquired (net of liabilities assumed) and non-controlling interest is accounted for as goodwill. The identifiable net assets acquired of GEHI were valued at their respective fair values at the acquisition date.

For accounting purposes, the Merger resulted in eLMTree acquiring an 85% equity interest in GEH Singapore, a company incorporated in Singapore that, through various of its subsidiaries, provides early childhood education services, meeting the needs of children from infancy to six years old through structured courses at kindergarten and student care centers, as well as through franchise relationships with third-party kindergarten services. The Merger provided the eLMTree segment with a pathway to greater autonomy and future financing opportunities as a public company, while providing the GEH Singapore segment with significant new sources of funding to potentially refurbish its existing facilities and expand its footprint in both Singapore and to other countries in the region. The result of this acquisition has been included in the Company’s consolidated financial statements as of and from the date of acquisition. The associated goodwill has been included in the Company’s GEH Singapore and eLMTree reportable segments.

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

The preliminary fair values of the identifiable assets acquired and liabilities assumed as of acquisition date were:

	As previously reported	Measurement period adjustments	As adjusted
Cash and cash equivalents	$ 16,138	$ —	$ 16,138
Accounts receivable, net	1,464	—	1,464
Prepaid expenses and other current assets	902	1,228	2,130
Current tax assets	282	—	282
Amounts due from related parties	46	—	46
Inventories	141	—	141
Operating lease right-of-use assets	5,398	(538)	4,860
Property and equipment, net	4,773	—	4,773
Other non-current assets	2,226	—	2,226
Intangible assets	7,750	—	7,750
Total Assets	39,121	690	39,810
Accrued expenses and other current liabilities	(5,496)	(108)	(5,604)
Operating lease liabilities - current	(2,903)	—	(2,903)
Operating lease liabilities - non-current	(2,603)	646	(1,957)
Contract liabilities - current	(1,730)	—	(1,730)
Income tax payable	(382)	—	(382)
Other non-current liabilities	(3,977)	—	(3,977)
Deferred tax liability	(1,317)	—	(1,317)
Total Liabilities	(18,408)	538	(17,870)
Total identifiable net assets at fair value	20,713	1,228	21,940
Goodwill	3,991	(1,228)	2,764
Non-controlling interest	(1,855)	—	(1,855)
Purchase consideration transferred	**$ 22,849**	**$ —**	**$ 22,849**

The preliminary purchase price allocations reflect various fair value estimates and analyses relating to the determination of fair value of certain tangible and intangible assets acquired, non-controlling interest, and residual goodwill. The Company determined the estimated fair value of the identifiable intangible assets and goodwill after review and consideration of relevant information including discounted cash flow analyses, market data, and management’s estimates, with the assistance of an independent valuation firm. The estimated fair value of acquired working capital was determined to approximate carrying value. The goodwill arising from the transaction consists of expected synergies from combining operations of the two companies and has been assigned equally to the eLMTree and GEH reporting units provisionally, pending finalization of purchase price allocation. None of the goodwill will be deductible for tax purposes. Intangible assets acquired comprise of the following:

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

	Purchase price allocation		Useful lives (in years)
Student base (Childcare)	$	4,000	4
Franchise relationships		1,700	10
Brands		1,600	10
Content		450	5
Total intangible assets acquired	**$**	**7,750**	

The preliminary fair values of certain net tangible assets and liabilities and intangible assets acquired were based on preliminary valuations, and our estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). The primary areas of acquisition accounting that are not yet finalized include, but are not limited to, certain tangible assets and liabilities acquired, income and non-income based taxes, and any resulting adjustments to goodwill. We believe that the information gathered to date provides a reasonable basis for estimating the preliminary fair value of the assets acquired and liabilities assumed. The Company expects to finalize the valuation as soon as practicable, but no later than the end of the measurement period.

Note 4. Revenue Recognition

Revenue

Sales of hardware and accessories, as well as revenue from coordination of freight services for our customers, is recognized at a point in time. Services include enhanced warranty, training revenue, as well as revenue from kindergarten and student care services, and are recognized over time. Revenue from software-as-a-service (SaaS) and revenue from future software upgrade rights are also recognized over time.

The following table presents the Company’s revenue disaggregated based on the revenue source and the timing of revenue recognition:

	Six months ended June 30,			
	2024		2023	
Revenue from hardware, proprietary embedded firmware and accessories	$	137,248	$	215,224
Revenue from services		23,038		4,265
Revenue from SaaS		2,463		2,759
Revenue from software upgrade rights		3,234		249
Total revenue	**$**	**165,983**	**$**	**222,497**

Contract liabilities

	June 30, 2024		December 31, 2023	
Deferred revenue: enhanced warranties	$	21,349	$	21,057
Deferred revenue: other services		15,812		14,815
Total contract liabilities	**$**	**37,161**	**$**	**35,872**

The contract liabilities listed above represent deferred revenue associated with sales of enhanced warranties, services such as training revenue, SaaS, and future unspecified software upgrade rights, as well as deferred revenue associated with kindergarten and student care services. The deferred revenue amounts included as contract liabilities represent the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially satisfied). These performance obligations are expected to be satisfied as follows:

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

	Enhanced warranties	Other services
Remainder of 2024	$ 1,683	$ 10,063
2025	5,022	3,847
2026	5,866	1,178
2027	4,682	510
2028	2,785	207
Thereafter	1,311	7
Total contract liabilities	**$ 21,349**	**$ 15,812**

During the six months ended June 30, 2024 and 2023, the Company recognized $8,793 and $5,883, respectively, in revenue that was included in contract liabilities as of January 1, 2024 and 2023, respectively. The Company did not have any contract assets as of June 30, 2024 and December 31, 2023.

Note 5. Segment Disclosures

Segment reporting

Based on how the Company's chief operating decision maker (CODM) assesses the performance of the business, as well as the availability of discrete financial information, the Company has identified two reportable segments: eLMTree and GEH Singapore. The CODM utilizes revenue and operating income to assess the performance of these segments. The Company does not allocate corporate expenses related to the Company’s Board of Directors and strategic initiatives, as well as certain other costs, to the individual segments, and instead reports all such costs in the eLMTree segment. There are no material inter-segment transactions.

Prior to acquisition of the GEH Singapore segment in December 2023, the Company had only one operating segment. The table below represents the segment information reviewed by the Company's CODM for the six months ended June 30, 2024:

	eLMTree	GEH Singapore
Revenue	$ 146,853	$ 19,130
Cost of sales	104,039	16,568
Depreciation and amortization expense	2,724	1,320
Operating loss	11,271	823
Interest expense	5,489	29
Interest income	1,314	—
Other income (expense), net	(1,468)	402
Pre-tax loss from continuing operations	7,665	450
Income tax expense	39,616	15
Net loss	47,281	465

The table below represents the segment information reviewed by the Company's CODM as of the following balance sheet dates:

	June 30, 2024		December 31, 2023	
	eLMTree	GEH Singapore	eLMTree	GEH Singapore
Property plant and equipment	$ 10,172	$ 4,724	$ 7,037	$ 4,841
Right of use assets	1,479	6,403	2,412	5,079
Intangible assets	41,607	7,040	43,700	7,750

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

Note 6. Inventories

Inventories consist of the following:

	June 30, 2024	December 31, 2023
Raw materials	$ —	$ 814
Finished goods	33,662	52,284
	$ 33,662	**$ 53,098**

Note 7. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

	June 30, 2024	December 31, 2023
Current tax assets	$ 3,489	$ 4,545
Prepaid Expenses	4,341	6,026
Other	4,602	4,095
Total	**$ 12,432**	**$ 14,666**

Note 8. Property, Plant, and Equipment, net

Property, plant and equipment, net consist of the following:

	June 30, 2024	December 31, 2023
Buildings	$ 5,374	$ 5,462
Plant and machinery	2,234	2,246
Leasehold improvements	131	132
Computer and office equipment	16,522	16,602
Furniture and fixtures	1,961	1,805
Internal use software	2,989	1,719
Construction in progress	6,144	3,866
	35,355	31,832
Less: Accumulated depreciation	(20,459)	(19,954)
Property, plant and equipment, net	**$ 14,896**	**$ 11,878**

Depreciation expense totaled $1,245, of which $734 was recorded in cost of sales, $190 was recorded in sales and marketing expense, $157 was recorded in research and development expense, and $164 was recorded in general and administrative expense on the Company's consolidated statement of operations for the six months ended June 30, 2024. Depreciation expense totaled $876, of which $169 was recorded in cost of sales, $268 was recorded in sales and marketing expense, $186 was recorded in research and development expense, and $253 was recorded in general and administrative expense on the Company's consolidated statement of operations for the six months ended June 30, 2023.

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

Note 9. Goodwill and Intangible Assets

Goodwill and Indefinite-Lived Intangible Assets

During the six months ended June 30, 2024, the carrying amount of goodwill changed as a result of the adjustments during the measurement period of the acquisition described in Note 3 Business Combinations above and foreign currency adjustments. There were no changes to the carrying amount of indefinite-lived intangible assets during the periods presented. As of both June 30, 2024 and December 31, 2023, the carrying amount of indefinite-lived intangible assets was $35,997.

Finite-Lived Intangible Assets

The components of finite-lived intangible assets are:

	June 30, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 10,514	(10,514)	$ —
Patent and developed technology	37,317	(32,006)	5,311
Student base (Childcare)	4,000	(500)	3,500
Franchise relationships	1,700	(85)	1,615
Brands	1,600	(80)	1,520
Tradenames	573	(299)	274
Content	450	(45)	405
Non-compete agreements	54	(29)	25
	$ 56,208	**$ (43,558)**	**$ 12,650**

	December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Customer relationships	$ 10,514	$ (10,514)	$ —
Patent and developed technology	37,323	(30,023)	7,300
Student base (Childcare)	4,000	—	4,000
Franchise relationships	1,700	—	1,700
Brands	1,600	—	1,600
Tradenames	576	(207)	369
Content	450	—	450
Non-compete agreements	54	(20)	34
	$ 56,217	**$ (40,764)**	**$ 15,453**

No impairments of finite-lived intangible assets were identified during the six months ended June 30, 2024 and 2023. During the six months ended June 30, 2024 and 2023, intangible assets amortization expense was $2,799 and $2,156, respectively, which was entirely included in cost of sales on the Company's consolidated statement of operations.

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

Note 10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2024	December 31, 2023
Accrued payroll	$ 12,174	$ 18,525
Deferred R&D credits	4,433	5,053
Rebates and customer advances	1,241	1,242
Interest payable	2,640	4,006
Accrued duty, freight and related expenses	5,745	4,005
Royalties	1,072	2,471
Value added tax payables	953	1,751
Other accrued expenses and liabilities	8,985	8,336
	$ 37,243	**$ 45,389**

Deferred R&D credits represent future offsets to research and development expense in the consolidated statement of operations. These credits were generated through the Company's participation in the U.K. Research and Development Expenditure Credit (RDEC) program.

As of June 30, 2024, accrued payroll includes $1,973 and other accrued expenses and liabilities include $478 out of an aggregate of $7,352 that will be paid in cash as a one-time retention payment to certain officers, directors and employees of the Company in January 2025. There was no comparable balance as of December 31, 2023.

Mynd.ai, Inc.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

Note 11. Net Loss Per Share

The following table sets forth the computation of basic and diluted loss per share of the Company's ordinary shares, net of non-controlling interest:

	Six months ended June 30, 2024	Six months ended June 30, 2023
Numerator:		
Net loss attributable to ordinary shareholders of Mynd.ai, Inc. from continuing operations	$ (47,676)	$ (15,240)
Net loss attributable to ordinary shareholders of Mynd.ai, Inc. from discontinued operations	(64)	(431)
Net loss attributable to ordinary shareholders of Mynd.ai, Inc.	(47,740)	(15,671)
Denominator:		
Weighted average shares outstanding used in calculating net loss per share	456,477,820	426,422,220
Basic and diluted loss per share:		
Net loss per share attributable to ordinary shareholders of Mynd.ai, Inc. from continuing operations	(0.10)	(0.04)
Net loss per share attributable to ordinary shareholders of Mynd.ai, Inc. from discontinued operations	—	—
Net loss per share attributable to ordinary shareholders of Mynd.ai, Inc.	$ (0.10)	$ (0.04)

Basic and diluted loss per share are computed using the weighted average number of ordinary shares outstanding during the period.

The following is a summary of outstanding potential ordinary shares that have been excluded from the computation of diluted net loss per share attributable to ordinary shareholders because their inclusion would have been anti-dilutive:

	For the Six Months Ended June 30, 2024
Convertible note	33,021,304
Restricted stock units	1,266,753

There are no comparable amounts for the six months ended June 30, 2023 as both the Convertible Note and the Incentive Plan (as defined in Note 12) did not exist in the first half of 2023.

Note 12. Share-based Compensation

In January 2024, the Company's Board of Directors approved the Mynd.ai Equity Incentive Plan (the "Incentive Plan"). Under the Incentive Plan, awards may be granted to officers, employees and consultants of the Company or any of its affiliates in the form of stock options, restricted shares, restricted stock units ("RSUs"), stock appreciation rights, performance stock, performance stock units and other awards. The maximum aggregate number of ordinary shares that was initially authorized for issuance under the Incentive Plan is 54,777,338, together with a corresponding number of American Depositary Shares ("ADS"). On April 10, 2024, the Company's Board of Directors awarded RSUs, representing an aggregate of 3,501,350 ADSs, to certain directors, executive officers and employees that vest over specified time periods, subject to the recipient's continued service. As of June 30, 2024, the Company had outstanding share-based awards representing 3,461,171 ADSs.

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

During the six months ended June 30, 2024, the Company recorded share-based compensation expenses of $1,131 in general and administrative expenses in the consolidated statements of operations. As of June 30, 2024, total unrecognized compensation expense related to unvested awards was $12,437, which is expected to be recognized over a weighted-average period of 2.67 years.

Note 13. Related Party Transactions

As of June 30, 2024 and December 31, 2023, the Company has receivables of $2,319 and $2,759, respectively, and payables of $6,107 and $5,080, respectively, with related parties with common ownership. These payables exclude the Loans payable, related parties, non-current discussed below, as well as the Convertible Note discussed in Note 14 - Debt. During the six months ended June 30, 2024 and 2023, the Company received services from related parties totaling $2,823 and $5,329 respectively.

On July 15, 2022, the Company entered into a related party loan agreement with Best Assistant Education Online Limited, a subsidiary of NetDragon, ("Best Assistant" or the "Borrower"). The loan agreement allowed the Borrower to receive a non-interest bearing loan from the Company up to a maximum of $10,000. The loan was due on the earlier of (i) June 30, 2023 or (ii) a change in control of the Borrower. The outstanding balance owed to the Company as of December 31, 2022 was $7,919. This loan was fully repaid in the first quarter of 2023.

The Controlling Shareholder, through its various operating and financing subsidiaries, has historically provided funding to eLMTree on an interest-free basis with no set repayment date. As of June 30, 2024 and 2023, the Company had $4,715 and 4,670, respectively, in funding from the Controlling Shareholder, which was recorded as Loans payable, related parties, non-current on the consolidated balance sheets.

The non-controlling interest in the Company is held by a current employee of GEH Singapore. As of June 30, 2024 and December 31, 2023, the non-controlling interest recorded in equity was $1,819 and $1,889, respectively.

Concurrent with the closing of the GEH Acquisition described in detail in Note 3 Business Combination, the Company issued the Convertible Note to a related entity. See further discussion of this note in Note 14, Debt.

Note 14. Debt

Debt outstanding consists of the following:

	June 30, 2024	December 31, 2023
Revolver	$ 21,288	$ 32,000
Paycheck Protection Program Loan	180	194
Less revolver issuance costs	(176)	(252)
Loans payable, current	21,292	31,942
Convertible Note (a)	52,768	50,585
Embedded derivative (b)	5,059	14,308
Less issuance costs on convertible debt	(86)	(116)
Paycheck Protection Program Loan	—	82
Loans payable, non-current	57,741	64,859
Loans payable, related parties, non-current	4,715	4,670
	$ 83,748	**$ 101,471**

(a) The Convertible Note balance at June 30, 2024 is comprised of the convertible note's initial measurement at $50,260, which represents the gross proceeds received less fair value of the embedded derivative, $1,643 of PIK note issued in June 2024, $146 of accrued PIK interest for which the PIK note will be issued in December 2024, and accretion of discount on issuance of $719.

The Convertible Note balance on December 31, 2023 is comprised of the Convertible Note's initial measurement at $50,260, which represents the gross proceeds received less fair value of the embedded derivative, $169 of accrued PIK interest, and accretion of discount on issuance of $156.

(b) Represents the embedded derivative included within the Convertible Note that is bifurcated and stated at fair value.

As of June 30, 2024 and December 31, 2023, the Company believes it was in material compliance with covenants on all its debt agreements.

The following table summarizes the debt maturities for the Convertible Note, the Revolver and the Paycheck Protection Program Loan (see further discussion of these debt instruments below):

Remainder of 2024	$ 98
2025	82
2026	—
2027	—
2028 (1) (2)	88,077
Thereafter	—
	$ 88,257

(1) The Company classifies the Revolver as a current liability on its consolidated balance sheets due to its intent and practice of using the Revolver for short-term financing needs. However, in the table above, the Revolver has been reflected at its maturity date in 2028.

(2) Debt maturing in 2028 also includes the Convertible Note with a maturity value of $65,000, PIK note issued with a maturity value of $1,643, and accrued PIK interest of $146.

Convertible Note

Concurrent with the closing of the GEH Acquisition described in detail in Note 3, the Company issued a senior secured convertible note, in the principal amount of $65,000 (the "Convertible Note"). The Convertible Note bears (i) cash interest at the rate of 5.00% per annum and (ii) paid-in-kind interest ("PIK") at the rate of 5.00% per annum, payable by issuing additional notes (the "Convertible Note" or "Notes" while referring to the Convertible Note plus the Notes issued in connection with the PIK interest). The cash interest and PIK interest are both payable semiannually on June 15 and December 13 of each year. The Company prepaid the cash interest due in 2024 at the time of issuance of the Convertible Note, so the first semiannual payment of cash interest will be on June 15, 2025. PIK interest is payable by issuing additional notes in an amount equal to the applicable amount of PIK interest for the interest period. In June 2024, the Company issued a PIK note in the principal amount of $1,643.

Certain features of the Convertible Note require bifurcation and separate accounting as a single embedded derivative (the "Embedded Derivative") from the Convertible Note pursuant to ASC 815. The Embedded Derivative is measured at fair value utilizing Level 3 inputs under the fair value measurement hierarchy. As of June 30, 2024 and December 31, 2023, the Embedded Derivative was valued at $5,059 and $14,308, respectively. The decrease in fair value was largely driven by a decline in the Company's share price over that period. It is included in non-current loans payable in the consolidated balance sheets.

During the six months ended June 30, 2024, the Company recognized a gain on remeasurement of the Embedded Derivative of $9,249, which was recorded in the consolidated statement of operations.

The fair value of the Embedded Derivative was calculated using a with and without method at June 30, 2024 and December 31, 2023 using a Monte Carlo simulation model with the following assumptions -

	June 30, 2024	December 31, 2023	Relationship of significant unobservable input to fair value
Expected volatility	62.0 %	56.0 %	Increase in expected volatility will increase the value of the derivative
Risk-free rate	4.4 %	3.8 %	Increase in risk-free rate will increase the value of the derivative
Credit risk adjusted rate	20.0 %	20.0 %	Increase in credit risk adjusted rate will increase the value of the derivative

Revolver

In June 2018, the Company entered into a secured revolving line of credit facility for borrowings up to $35,000 with Bank of America with an original termination date of June 25, 2021, which was extended to January 19, 2028 through subsequent amendments. Subsequent amendments also amended the borrowing capacity up to $74,000 through March 31, 2024, and $50,000 thereafter through January 19, 2028. During the six months ended June 30, 2024, the Company expensed revolver amendment fees and expenses of $77. Amendment fees were not written off during the six months ended June 30, 2023.

As of June 30, 2024 and December 31, 2023, the outstanding balance on the line of credit was $21,288 and $32,000, respectively. Of the total outstanding balance at June 30, 2024, $15,288 incurred interest at an annual rate of 9.80%, $3,000 incurred interest at an annual interest rate of 7.68% and $3,000 incurred interest at an annual interest rate of 7.71%. Of the total outstanding balance at December 31, 2023, $10,000 incurred interest at an annual rate of 8.06%, $14,000 incurred interest at an annual interest rate of 8.09% and $8,000 incurred interest at an annual interest rate of 8.08%. As of June 30, 2024 and December 31, 2023, the Company had unused borrowing capacity of $9,157 and $20,473 respectively, based on the borrowing base calculation as of the respective dates.

Paycheck Protection Program

In May 2020, the Company entered into a $5,396 loan agreement under the Paycheck Protection Program (the "PPP") with a 1% interest rate, which is administered by the U.S. Small Business Administration (the "SBA"). During the six months ended June 30, 2024 and 2023, the Company accrued interest of $1 and $2, respectively, in relation to the Paycheck Protection Program Loan. During the six months ended June 30, 2024 and 2023, the Company repaid $97 and $96 of the PPP loan, including the accrued interest.

The loans payable, related parties, non-current are discussed in detail above in Note 13 - Related Party Transactions.

Note 15. Commitments and Contingencies

Warranty

Changes in accrued warranty liabilities during the indicated periods are as follows:

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

	Six months ended June 30,	
	2024	2023
Balance, January 1	$ 17,871	$ 13,550
Provision	2,856	10,043
Utilized	(5,233)	(6,888)
Foreign currency adjustment	(45)	369
Balance, June 30	**$ 15,449**	**$ 17,074**

The provision amount in the table above represents adjustments recorded for estimated future costs related to units under warranty as of each balance sheet date, including both accruals for warranties issued during the first half of 2024 and changes in the provision for accruals related to previously issued warranties. Included in the 2024 provision amount is a reduction of $2,489 as a result of lower estimated future costs due to continued low failure rates on our ActivPanel 9 and our ActivPanel LX models. The provision reflects the most current information available to the Company regarding key inputs into the estimated provision, including product failure rates and costs necessary to provide the warranty services.

The utilized amount in 2023 in the table above includes $3,602 of transportation, warehousing, and repair costs associated with increasing stock of refurbished inventory in response to the timing of warranty claims related to post pandemic sales.

Litigation

The Company may be subject to various legal proceedings and claims of which the outcomes are subject to significant uncertainty. The Company's policy is to assess the likelihood of any adverse judgments or outcomes related to legal matters, as well as ranges of probable losses. A determination of the amount of the liability required, if any, for these contingencies is made after an analysis of each known issue. A liability would be recognized and charged to operating expense when the Company determines that a loss is probable, and the amount can be reasonably estimated. Additionally, the Company will disclose contingencies for which a material loss is reasonably possible, but not probable.

As of June 30, 2024, and through the date of the issuance of these consolidated financial statements, the Company does not believe the resolution of any legal proceedings or claims of which it is aware or any potential actions will have a material effect on its financial position, results of operations or cash flows.

Note 16. Leases

The table below presents certain information related to the Company's lease costs:

	Six months ended June 30,	
	2024	2023
Operating lease expense	$ 2,894	$ 960
Short-term lease expense	281	256
Total lease cost	**$ 3,175**	**$ 1,216**

Note 17. Income Taxes

The provision for income taxes for interim tax periods is generally determined using an estimate of the Company's annual effective tax rate, excluding jurisdictions for which no tax benefit can be recognized due to valuation allowances, and adjusted for discrete tax items during the period.

As of December 31, 2023, the Company had accumulated U.S. deferred tax assets totaling $41,362. These assets primarily arose from net operating loss carryforwards and temporary differences related to accrued liabilities and reserves. As of June 30, 2024, the Company assessed the available positive and negative evidence in evaluating the realizability of its existing deferred tax asset. Two significant pieces of objective negative evidence identified were the cumulative pre-tax losses in the U.S. in recent years and the decline in sales in the first six months of 2024 due to reduced customer demand. Such objective evidence limits the ability to consider more subjective evidence, such as projections for future improved operating results. On the basis of this evaluation, the Company has recorded a full valuation allowance against these U.S. deferred tax assets, due to the uncertainty regarding their realizability.

The Company recorded income tax expense of $39,631 and a benefit for income taxes of $5,143 for the six months ended June 30, 2024 and 2023, respectively. The June 30, 2024 provision includes a discrete income tax expense of $41,362 due to the recording of a full valuation allowance against the U.S. deferred tax assets in the period, which also caused the effective tax rate for the current year to differ from the statutory tax rate.

Note 18. Employee Benefits Plan

The Company contributes to a number of defined contribution plans which provide benefits based upon the contributions made to the plans. The assets of the plans are held separately from those of the Company in independently administered funds. The contribution cost incurred by the Company to the plan amounted to $2,493, and $1,289 for the six months ended June 30, 2024 and 2023, respectively.

Note 19. Significant Concentrations

One customer represented $27,030 and $52,330 (or 16.3% and 23.5%) of revenue for the six months ended June 30, 2024 and 2023, respectively. Another customer represented $17,806 and $22,494 (or 10.7% and 10.1%) of revenue for the six months ended June 30, 2024 and 2023, respectively. All customers that represented more than 10% of revenue were part of the eLMTree operating segment. No other customers represented more than 10% of revenue for the six months ended June 30, 2024 and 2023.

Two suppliers represented $62,821 and $104,262 (or 52.1% and 63.6%) of cost of sales for the six months ended June 30, 2024 and 2023, respectively. No other suppliers represented more than 10% of cost of sales for the six months ended June 30, 2024 and 2023.

One customer represented $8,492 and $13,476 (or 12.6% and 21.1%) of accounts receivable as of June 30, 2024 and December 31, 2023, respectively. No other customers represented more than 10% of accounts receivable as of June 30, 2024 and December 31, 2023, respectively.

Note 20. Discontinued Operations

The following table provides a reconciliation of the Company's net loss from discontinued operations presented in the consolidated statements of operations for the six months ended June 30, 2024 and 2023.

(in thousands of U.S. dollars, except share and per share data, or otherwise noted)

	Six months ended June 30,	
	2024	**2023**
Revenue	$ —	$ —
Cost of sales	—	(119)
Gross profit	—	119
Operating expenses:		
General and administrative	64	525
Research and development	—	24
Sales and marketing	—	1
Total operating expenses	64	550
Operating loss from discontinued operations	(64)	(431)
Loss from discontinued operations, before income taxes	(64)	(431)
Income tax benefit (expense)	—	—
Net loss from discontinued operations	**$ (64)**	**$ (431)**

Note 21. Subsequent Events

The Company has evaluated all known events and transactions that occurred after June 30, 2024 through the date of the issuance of these consolidated financial statements, and determined that that no subsequent events have occurred that would require recognition or disclosure in these financial statements, except as disclosed elsewhere in these notes to the consolidated financial statements.

Management Discussion & Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Mynd.ai, Inc. (the "Company" or "Mynd") should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2023, and the accompanying notes thereto included in the Annual Report on Form 20-F for the year ended December 31, 2023 filed on March 27, 2024 ("Annual Report") with the U.S. Securities and Exchange Commission (the "SEC"), which were prepared in accordance with U.S. GAAP, as well as the unaudited interim consolidated financial statements for the six months ended June 30, 2024, and the accompanying notes thereto, filed on a Form 6-K with the SEC (collectively the "Financial Statements") on August 28, 2024. This MD&A reports the Company's activities through June 30, 2024, unless otherwise indicated.

Forward-looking statements are based on the Company's current expectations and assumptions regarding its business, potential target businesses, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. The Company's actual results may differ materially from those contemplated by the forward-looking statements as a result of various factors, including, without limitation, changes in local, regional, national or global political, economic, business, competitive, market (supply and demand) and regulatory conditions. Please see "Forward-Looking Statements" in the Annual Report for more information regarding forward-looking statements.

Unless the context otherwise requires, references to the "Company" or "Mynd" refer to Mynd.ai, Inc., an exempted Cayman Islands company and its consolidated subsidiaries.

Overview

We are dedicated to creating a robust, seamless, and comprehensive digital communication and collaboration platform for the education, business, and public sectors. Our solutions include a wide range of interactive tools and technologies, with our award-winning interactive displays, highlighted by the ActivPanel 9 and ActivPanel LX, at the forefront. Our comprehensive software platforms, Explain Everything Advanced and ActivInspire, are designed to make it easier than ever to create captivating lessons, presentations, and training programs that immerse people in a world of vibrant multimedia, real-time collaboration, and imaginative instruction.

The Merger

On December 13, 2023, we completed a series of transactions with NetDragon Websoft Holdings Limited (HKEX: 0777, "NetDragon") (the "Merger") that resulted in (i) us divesting of our business in China, (ii) NetDragon transferring its education businesses outside of China to eLMTree (originally a wholly owned subsidiary of NetDragon), (iii) the transferring of eLMTree to become our wholly owned subsidiary, and (iv) the changing of our name to "Mynd.ai, Inc." The Merger was accounted for as a reverse acquisition where although we were the legal acquirer, eLMTree was deemed to be the acquirer for accounting purposes, resulting in inclusion of eLMTree financial information for all historical periods presented prior to the Merger. More specifically, this means that the financial results for the six months ended June 30, 2023, included in this MD&A reflect the financial results of eLMTree and do not include the historical operating results filed prior to the Merger. All other financial information presented herein represents the combined financial results of the post-merger entity.

Key Factors Affecting our Results of Operations

Our results of operations and financial condition are affected by the general factors affecting the education technology industry in the markets in which we operate, including the level of overall economic growth and growth in education spending in those markets. In addition, they are also affected by factors driving uptake of education technology in the markets in which we operate, such as an increased rate of return to in-classroom learning, improvements in available education technology and software, and increasing broadband growth and internet access in emerging markets. Unfavorable changes in any of these general factors could materially and adversely affect our results of operations.

Our revenues and operating results normally fluctuate as a result of seasonal variations in our business, driven largely by the purchasing cycles of the educational market. Specifically, the bulk of expenditures by U.S. school districts (our largest market) occur in the second and third calendar quarters after receipt of budget allocations for the coming fiscal year. These seasonal trends in operating results also can have a material impact on our working capital and trends. As a result, we believe that sequential quarterly comparisons of our financial results may not provide an accurate assessment of our financial position or operations.

Since the completion of the Merger, we have begun, and will continue, to incur additional costs for the combined entity to operate as a public company. In particular, since eLMTree was not a public company prior to the Merger, additional accounting, legal and personnel-related expenses, as well as insurance costs, are necessary to support the post-merger company's compliance and governance functions, including to establish, maintain and review internal controls over financial reporting, and to prepare and distribute periodic reports in accordance with SEC rules. Our financial statements reflect the impact of these expenses.

In the first half of 2024, we observed a downward trend, relative to recent prior years, in education technology customer demand throughout all of the key markets in which we operate. We believe this reduction in demand likely reflects an uncertainty around future budget allocations for many of our customers, following multiple years of unusually high funding as a result of COVID-related government relief programs, which have now ended. While we believe that these trends impacted, to some degree, all of our competitors in the education technology industry, this reduced spending by our customers nonetheless had a material impact on our revenue and operating results during the first half of 2024 as compared to 2023.

Key Metrics and Non-GAAP Measures

In reviewing our financial information, management focuses on a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

In addition to presenting financial measures in accordance with accounting principles generally accepted in the U.S. ("GAAP"), management’s discussion and analysis may contain references to EBITDA, Adjusted EBITDA and Free Cash Flow, which are non-GAAP financial measures. The non-GAAP financial measures presented herein should not be considered a substitute for, or superior to, the measures of financial performance prepared in accordance with GAAP. Reconciliations between non-GAAP financial measures and the most directly comparable GAAP measure are included where applicable.

EBITDA, Adjusted EBITDA, and Free Cash Flow are not presentations made in accordance with GAAP, and our use of the terms EBITDA, Adjusted EBITDA, and Free Cash Flow may vary from the use of similarity titled measures by others in our industry due to the potential of inconsistencies in the method of calculation and differences due to items subject to interpretation. We believe the presentation of EBITDA, Adjusted EBITDA, and Free Cash Flow provides useful information to management and investors regarding financial and business trends related to our results of operations and that when non-GAAP financial information is viewed with GAAP financial information, investors are provided with a meaningful understanding of our ongoing operating performance.

Non-GAAP measures should not be considered as alternatives to performance measures derived in accordance with GAAP. EBITDA, Adjusted EBITDA, and Free Cash Flow have important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP.

Revenue

	Six months ended June 30,	
	2024	**2023**
	(in thousands)	
Revenue	$ 165,983	$ 222,497

We generate the majority of our revenue from the sales of hardware and accessory products to a global network of distributors and resellers, who are considered the customers for these products. We also separately recognize freight revenue when we arrange for the shipment, based on the request of the customer, of our hardware products by third-party logistics providers. Although not currently significant to our overall operations, we are investing in software-as-a-service (SaaS) product offerings, with a goal of realizing consistent revenue growth in this line of business in the coming years. Other major sources of revenue include the sale of extended warranties on our hardware products and training services for the use of our hardware, as well as early childcare education services provided in the Singapore market through our Global EduHub ("GEH Singapore") subsidiary.

Revenue is recognized at a point in time or over time, based on when the customer obtains control of the distinct good or services. For hardware and freight revenue, this occurs at the point in time when the goods are shipped by a third-party carrier or when the goods are made available for pick-up by the customer. For SaaS, extended warranties and training services, as well as early childcare education services, revenue recognition occurs over time, as the related services are delivered.

Gross Profit

	Six months ended June 30,	
	2024	**2023**
	(in thousands, except for %)	
Gross profit	$ 45,376	$ 58,461
Gross profit as a percentage of total revenue	27.3%	26.3%

Gross profit primarily represents the difference between the product cost from our suppliers, including the cost of inbound freight, and the sales price to our customers. Gross profit also reflects a number of other costs including, but not limited to, costs of providing warranties on our products, warehousing, amortization of certain intangible assets, depreciation of certain property, plant, and equipment, and allocations of certain employee costs and other shared costs.

Net Loss

	Six months ended June 30,	
	2024	**2023**
	(in thousands)	
Net loss	$ (47,810)	$ (15,671)

EBITDA

We define EBITDA as net income (loss) adjusted to exclude interest expense, income tax expense (benefit), and depreciation and amortization.

Reconciliation of EBITDA to net loss:

	Six months ended June 30,	
	2024	**2023**
	(in thousands)	
Net loss	$ (47,810)	$ (15,671)
Interest expense	5,518	2,366
Interest income	(1,314)	(6)
Income tax expense (benefit)	39,631	(5,143)
Depreciation and amortization	4,044	2,526
EBITDA	$ 69	$ (15,928)

Adjusted EBITDA

We define Adjusted EBITDA as net loss, adjusted for loss from discontinued operations, interest expense, income tax expense (benefit), depreciation and amortization, as well as, non-cash, non-operating expenses such as share-based compensation, changes in the fair value of derivative instruments and other income (expense); and one-time, unplanned and/or infrequent events we believe are outside the ordinary course of our continuing operations, including transaction-related costs, restructuring costs, litigation costs, and gain on forgiveness of debt.

Reconciliation of Adjusted EBITDA to net loss:

	Six months ended June 30,	
	2024	**2023**
	(in thousands)	
Net loss	$ (47,810)	$ (15,671)
Loss from discontinued operations	64	431
Interest expense	5,518	2,366
Interest income	(1,314)	(6)
Income tax expense (benefit)	39,631	(5,143)
Depreciation and amortization	4,044	2,526
Share-based compensation	1,131	—
Other income (expense), net	1,066	(1,294)
Gain on embedded derivative	(9,249)	—
Transaction related costs[1]	125	8,472
Restructuring costs[2]	1,218	2,170
Adjusted EBITDA	$ (5,576)	$ (6,149)

(1) Transaction related costs are one-time non-recurring costs related to acquisition and disposal of businesses.

(2) Restructuring costs relate to employee severance costs, contract termination costs, facility restructuring, and business restructuring efforts undertaken by management.

Free Cash Flow

We calculate Free Cash Flow as net cash flows from operating activities as presented in the statement of cash flows of our financial statements less cash flows required for: (i) acquisition of property and equipment; and (ii) development costs associated with internal-use software. We consider Free Cash Flow to be a liquidity measure, therefore, we adjust our Free Cash Flow metric with amounts that directly impacted the cash flows in the period in addition to our operating activities. Free Cash Flow provides useful information to management and investors about the amount of cash generated by our operations, deducting for investments in or payments for property and equipment and internal-use software development costs to maintain and grow our business.

Reconciliation of Free Cash Flow to Net cash provided by (used in) operating activities:

	Six months ended June 30,	
	2024	**2023**
	(in thousands)	
Net cash used in operating activities	$ (7,352)	$ (12,350)
Acquisition of property and equipment	(1,084)	(236)
Internal-use software development costs	(3,499)	(1,556)
Free Cash Flow	$ (11,935)	$ (14,142)

Results of Operations for the Six Months Ended June 30, 2024 and 2023

The following discussion and analysis highlights items that affected our results of operations for the six months ended June 30, 2024 and 2023, as follows:

	Six-month Ended		Change	
	2024	2023	$	%
	(in thousands, except for percentages)			
Revenue	$ 165,983	$ 222,497	$ (56,514)	(25.4) %
Cost of sales	120,607	164,036	(43,429)	(26.5) %
Gross profit	45,376	58,461	(13,085)	(22.4) %
Gross profit as a percentage of total revenue	27.3 %	26.3 %		
Operating expenses:				
General and administrative	20,217	18,313	1,904	10.4 %
Research and development	13,413	18,508	(5,095)	(27.5) %
Sales and marketing	22,497	30,315	(7,818)	(25.8) %
Transaction related costs	125	8,472	(8,347)	(98.5) %
Restructuring and other	1,218	2,170	(952)	(43.9) %
Total operating expenses	57,470	77,778	(20,308)	(26.1) %
Operating loss	(12,094)	(19,317)	7,223	(37.4) %
Other income (expense):				
Interest expense	(5,518)	(2,366)	(3,152)	133.2 %
Interest income	1,314	6	1,308	21,800 %
Gain on derivative	9,249	—	9,249	n/a
Other income (expense), net	(1,066)	1,294	(2,360)	(182.4) %
Total other income (expense)	3,979	(1,066)	5,045	(473.3) %
Net loss from continuing operations, before income taxes	(8,115)	(20,383)	12,268	(60.2) %
Income tax benefit (expense)	(39,631)	5,143	(44,774)	(870.6) %
Net loss from continuing operations	(47,746)	(15,240)	(32,506)	213.3 %
Loss from discontinued operations, net of tax	(64)	(431)	367	(85.2) %
Net loss	**$ (47,810)**	**$ (15,671)**	**$ (32,139)**	**205.1 %**

Revenue

Revenue decreased $56.5 million or 25.4%, to $166.0 million for the six months ended June 30, 2024 from $222.5 million for the six months ended June 30, 2023. Revenue was down across all key markets in which we operate, with the U.S. market showing the largest relative decline. As discussed above, we believe this result is tied to uncertainty amongst our customers regarding future budget allocations and represents an industry-wide phenomenon that affected the entire education technology market. This decline in revenue in our legacy hardware and software business was partially offset by the inclusion of revenue associated with our GEH Singapore business in the 2024 results, following the completion of the Merger in December 2023.

Cost of Sales

Costs of sales decreased $43.4 million, or 26.5%, to $120.6 million for the six months ended June 30, 2024 from $164.0 million for the six months ended June 30, 2023. The most significant driver of the decrease was the overall reduction in sales volume. However, we generated incremental savings in a number of areas year-over-year, including lower component material pricing, freight and duty savings as a result of transitioning the final assembly by our contract manufacturers of our U.S. ActivPanel inventory to Mexico, and lower warranty costs due to observed lower failure rates on our ActivPanel 9 and our ActivPanel LX models. These savings were partially offset by the inclusion of cost of sales associated with our GEH Singapore business in the 2024 results, following the completion of the Merger in December 2023.

Gross profit

Gross profit decreased $13.1 million, or 22.4%, to $45.4 million for the six months ended June 30, 2024 from $58.5 million for the six months ended June 30, 2023. The decrease in gross profit was due to the year-over-year reduction in revenue, however, gross profit as a percentage of revenue increased 1.1% year-over-year. As discussed above, there were certain cost savings realized related to cost of sales during 2024, which positively impacted gross profit as a percentage of revenue. These savings were partially offset by the inclusion of the results of the GEH Singapore business, which has a lower gross profit as a percentage of revenue than our legacy hardware and software business.

Operating expenses

General and administrative expenses increased $1.9 million, or 10.4%, to $20.2 million for the six months ended June 30, 2024, from $18.3 million for the six months ended June 30, 2023. The increase was driven by a number of factors, including the inclusion of GEH Singapore in the 2024 results, the recognition of share-based compensation expense (with no comparable expense in 2023), and various incremental legal, insurance, and audit related fees to support the Company's post-merger compliance and governance functions as a public company in 2024. These amounts were partially offset by the release in 2024 of a large portion of the allowance for credit losses due to the collection of an aged receivable.

Research and development expenses decreased $5.1 million, or 27.5%, to $13.4 million for the six months ended June 30, 2024, compared to $18.5 million for the six months ended June 30, 2023. During 2024 there was an increased focus on R&D efforts related to internal-use software for future SaaS offerings. Qualifying R&D costs for such projects are capitalized under U.S. GAAP, which led to a decrease in year-over-year costs expensed directly in the consolidated statement of operations. Additional reasons for the decline include a decrease in bonus expense as a result of lower attainment of revenue and profitability targets year-over-year, and a reduction in year-over-year consulting expense as a result of fewer contractors and outsourced resources due to an increase in research and development employee headcount.

Sales and marketing expenses decreased $7.8 million, or 25.8%, to $22.5 million for the six months ended June 30, 2024, compared to $30.3 million for the six months ended June 30, 2023. The decrease was driven by lower salaries and related costs due to a decrease in sales and marketing employee headcount year-over-year, as well as decreased bonus and commission expense due to lower attainment of revenue and profitability targets year-over-year.

Transaction-related costs decreased $8.3 million, or 98.5%, to $0.1 million for the six months ended June 30, 2024, compared to $8.5 million for the six months ended June 30, 2023. The decrease was due to significant costs incurred, including one-time people-related costs and amounts paid to vendors and consultants in 2023 related to preparation for the Merger, with no comparable transaction occurring in 2024.

Restructuring and other expenses decreased $1.0 million or 43.9%, to $1.2 million for the six months ended June 30, 2024, compared to $2.2 million for the six months ended June 30, 2023. The decrease was the result of several large individual severance payments occurring during the six months ended June 30, 2023, with no similarly sized payment in the first half of 2024.

Other income (expense)

Other income (expense) increased $5.0 million, or 473.3%, to $4.0 million of income for the six months ended June 30, 2024, compared to $1.1 million of expense for the six months ended June 30, 2023. This year-over-year change was driven primarily by a gain on the derivative instrument embedded in our convertible note due to a change in the fair value of that instrument, as well as additional interest income due to a higher overall cash balance as a result of proceeds from the Merger. This positive change is partially offset by an increase in interest expense year-over-year due to interest on the convertible note, which was issued in December 2023.

Income tax benefit (expense)

The income tax benefit decreased $44.8 million, or 870.6%, to an income tax expense of $39.6 million for the six months ended June 30, 2024, as compared to an income tax benefit of $5.1 million for the six months ended June 30, 2023. The income tax expense recorded in 2024 was primarily driven by the recording of a full valuation allowance against the U.S. deferred tax assets due to the uncertainty regarding their realizability, as a result of cumulative pre-tax losses in the United States in recent years and the decline in sales, as a result of reduced customer demand, during the first six months of 2024. The income tax benefit recorded in 2023 was primarily driven by pre-tax losses during the period. At that time, we had not concluded that a valuation allowance was necessary for our U.S. deferred tax assets.

Loss from discontinued operations

Loss from discontinued operations decreased $0.4 million, or 85.2%, to a loss from discontinued operations of $0.1 million for the six months ended June 30, 2024, as compared to a loss from discontinued operations of $0.4 million for the six months ended June 30, 2023. The decrease is a result of the continued wind-down of the North America operations of our Edmodo subsidiary, which was originally abandoned in September 2022. We expect the final closure of all operations of our Edmodo subsidiary in the second half of 2024.

Liquidity and Capital Resources

Liquidity refers to the ability to generate sufficient cash resources to meet the payment obligations of the Company. Capital refers to the long-term financial resources available to support the operations of the businesses, fund business growth and provide for an ability to withstand adverse circumstances.

	Six-month Ended, June 30,		Change	
	2024	2023	$	%
	(in thousands, except for percentages)			
Net cash (used in) provided by operating activities before changes in operating assets and liabilities	$ (7,664)	$ (17,190)	$ 9,526	(55.4)
Net change in operating assets and liabilities	376	5,269	(4,893)	(92.9)
Net cash (used in) provided by operating activities - continuing operations	(7,288)	(11,921)	4,633	(38.9)
Net cash used in operating activities - discontinued operations	(64)	(429)	365	(85.1)
Net cash (used in) provided by operating activities	(7,352)	(12,350)	4,998	(40.5)
Net cash (used in) provided by investing activities	(4,583)	6,227	(10,810)	(173.6)
Net cash used in financing activities	(10,866)	(1,693)	(9,173)	541.8
Net increase (decrease) in cash and cash equivalents	$ (22,801)	$ (7,816)	$ (14,985)	191.7

Cash Flows from Operating Activities

During the six months ended June 30, 2024, net cash used in operating activities, before considering changes in operating assets and liabilities, of $7.7 million, was primarily related to $47.7 million in net loss from continuing operations, of which $39.5 million related to the recording of a full valuation allowance on our U.S. deferred tax assets. This non-cash expense was treated as an add-back in reconciling net loss to cash used in operating activities. Other significant non-cash activity during the period included a gain of $9.2 million related to the change in the fair value of the embedded derivative associated with our convertible note, depreciation and amortization of $4.0 million, non-cash lease expense of $2.9 million, non-cash interest expense of $2.3 million, and share-based compensation expense of $1.1 million. We also generated a net cash inflow as a result of changes in working capital of $0.4 million during the first six months of 2024, largely driven by a reduction in our inventory, partially offset by a reduction in our accounts payable. For further discussion see "*Results of Operations"* above.

During the six months ended June 30, 2023, net cash provided by operating activities before changes in operating assets and liabilities was primarily related to $15.2 million in net loss from continuing operations. We then added back certain non-cash activity to reconcile the net loss to cash used in operating activities, including a deferred tax benefit of $5.1 million, partially offset by $2.5 million of non-cash depreciation and amortization and $1.0 million of non-cash lease expense. We also generated a net cash inflow as a result of changes in working capital of $5.3 million during the first six months of 2023, largely driven by a reduction in our inventory, partially offset by a growth in accounts receivable.

Cash Flows from Investing Activities

Cash used in investing activities during the six months ended June 30, 2024 of $4.6 million was attributable to cash paid for internal software development of $3.5 million and purchases of property, plant and equipment of $1.1 million.

Net cash provided by investing activities during the six months ended June 30, 2023 of $6.2 million was attributable to purchases of property, plant and equipment of $0.2 million, and cash paid for internal software development of $1.6 million.

Cash Flows from Financing Activities

Cash used in financing activities during the six months ended June 30, 2024 was $10.9 million, primarily resulting from net repayments on our Bank of America Revolver of $10.8 million.

Cash used in financing activities during the six months ended June 30, 2023 was $1.7 million, primarily resulting from net repayments on our Bank of America Revolver of $1.0 million and the payment of contingent considerations of $0.7 million from a prior year acquisition.

Sources of Liquidity

To date, the Company has financed its operations principally through debt and equity financing.

As of June 30, 2024 and December 31, 2023, we had $69.4 million and 91.8 million, respectively, of cash and cash equivalents.

Since 2018, we have had a secured line of credit with Bank of America, which we refer to as the Bank of America Revolver, with a committed line limit of $74.0 million through March 31, 2024, and $50.0 million thereafter through January 19, 2028. As of June 30, 2024, and December 31, 2023, the outstanding principal balance on the line of credit was $21.3 million and $31.9 million, respectively. As of June 30, 2024 and December 31, 2023, the Company had unused borrowing capacity of $9.2 million and $20.5 million respectively, based on the borrowing base calculation as of the respective dates.

On December 13, 2023, we issued a convertible promissory note (the "Note") in the aggregate principal amount of $65.0 million, which bears cash interest at the rate of 5.00% per annum and paid-in-kind ("PIK") interest at the rate of 5.00% per annum, and has a maturity date of December 13, 2028. The holder of the Note may elect, at any time, to convert some or all of the outstanding principal and accrued but unpaid interest into our ordinary shares or ADSs as provided therein. In June 2024, the Company issued a PIK note in the principal amount of $1.6 million.

Additionally, on July 17, 2024, the Company filed a shelf registration statement with the SEC that allows the Company to offer, issue and sell from time to time up to $50.0 million of our ordinary shares, American Depositary Shares (“ADS”) representing ordinary shares, preferred shares, subscription rights, warrants and/or a combination of such securities, separately or as units, in one or more offerings. Each ADS represents 10 ordinary shares.

We currently expect the recent downward trend in the education technology market, which had a material impact on our financial performance during the first half of 2024, to continue for the rest of the year. As a result, we have closely monitored our liquidity position to ensure operational stability and we continue to explore various strategic alternatives, which may include potential financings, cost-saving measures and other ways to optimize our future cash flows. Our management team is actively evaluating strategies to adapt to these adverse market dynamics and enhance our financial resilience.

We may incur operating losses and generate negative cash flows from operations due to the investments we intend to continue to make in expanding our operations and sales and marketing, continued investments in new product offerings, and due to additional general and administrative expenses we expect to incur in connection with operating as a public company. As a result, we may require additional capital resources to execute strategic initiatives to grow our business. Notwithstanding these investments, management believes that our cash and cash equivalents will be sufficient to fund operating and capital needs for at least the next 12 months.

Critical Accounting Estimates

In Item 5E Critical Accounting Estimates included in our Annual Report we have disclosed those accounting estimates that we consider to be significant in determining our results of operations and financial condition. There have been no changes to those estimates that we consider to be material or significant since the filing of our Annual Report. The accounting principles used in preparing our unaudited consolidated financial statements conform in all material respects to accounting principles generally accepted in the United States.

Goodwill and indefinite-lived intangibles are evaluated for impairment on an annual basis at a level of reporting referred to as the reporting unit, and more frequently if adverse events or changes in circumstances indicate that the asset may be impaired. We have the option to assess the qualitative factors in determining whether it is more likely than not the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test. If we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then a quantitative goodwill impairment test is performed.

In the first half of 2024, we observed a downward trend, relative to recent prior years, in education technology customer demand throughout all of the key markets in which we operate, among other conditions, which led management to conclude that there were indications our goodwill might be impaired. Accordingly, we performed a quantitative impairment analysis to estimate the fair value of our reporting units, which utilized and weighted both the income and market-based approaches for the GEH Singapore reporting unit, and utilized a market-based approach based on last twelve months revenue and profitability multiples of comparable companies for the eLMTree reporting unit. The results of this analysis determined that the estimated fair value of the eLMTree reporting continued to be substantially in excess of its carrying value, and the estimated fair value of the GEH Singapore reporting unit in excess of its carrying value, albeit by a smaller margin, as it was recently acquired in December 2023, and its assets and liabilities were recorded at fair value at that time. Consequently, management concluded that material goodwill does not exist at reporting units that are at risk of failing the quantitative impairment analysis and no impairment charge was required.