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# How Mohawk Group is creating a cocktail of tech-enabled consumer brands

With strong leverage on artificial intelligence and machine learning, Mohawk Group (MWK) aspires to be the consumer goods company of tomorrow. In an interaction with AlphaStreet, CEO Yaniv Sarig elaborates on the firm’s growth prospects and expansion strategies.

August 11, 2020

When Amazon (NASDAQ: AMZN) combined the capabilities of technology and retail a few years ago, what followed was a revolutionary shift in not just buyer personas, but also the overall lifestyle of consumers. Ever since, investors have been in pursuit of the next brand showcasing a similar potential.

While it’s still too early to make any claims, Mohawk Group (NASDAQ: MWK) comes close to this by driving artificial intelligence, machine learning and data analytics to design and develop consumer products, which are then sold online. The company leverages sales using its own proprietary technology known as AIMEE (Artificial Intelligence Mohawk eCommerce Engine), which sources information on consumer trends from various e-commerce platforms.

MWK Stock | Mohawk Group Holdings Q2 2020 Earnings Call



What is probably even more interesting about this company is that it licenses the AIMEE software to consumer brands, in turn, creating a tech vertical, besides the core consumer business. In an interview with *AlphaStreet*, Mohawk Group co-founder and CEO Yaniv Sarig said this smaller unit is starting to see traction once again after the pandemic-driven slowdown.



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Mohawk Group Holdings Inc. (MWK) Q2 2020 Earnings Call

We are providing a technology platform for consumer brands that want to go from B2B to B2C approach. So right now, we are dealing with medium-sized clients. The challenge here is that we need a lot more of the CPG companies to shift their mindset for there to be a very large appetite for fulfilling licensing deals. And this might take some time.

Strong Q2 results and stock rally

Last week, the New York-based firm delivered quarterly earnings that were narrower than anticipated on revenues that doubled year-over-year. Notably, the quarter also marked Mohawk's first quarter of adjusted EBITDA profitability. Investors have sent the stock up almost 40% so far this year.

The CEO believes the shift from offline to online by more retailers could partly be offset by the weakness in the economy and reduced consumer spending. The company has guided sales in the latter half of the year in similar lines as the first half, which falls slightly on the conservative side.



Q2  
2020

Mohawk Group Holdings, Inc.  
NASDAQ: MWK | Jul. 30, 2020

AlphaStreet

Summary

Revenue

\$59.8Mil

+97%

Net Loss

\$2.9Mil

vs. loss of \$16.9Mil

Loss Per Share

\$0.19

vs. loss of \$1.38 per share

Adjusted EBITDA

\$3.4Mil

vs. EBITDA loss of \$3.7Mil

Revenue by Product

Sustain

+60%

Launch

>100%

SaaS

-18%

Liquidate

>100%

Other

>100%

Revenue Mix

73.7%

9.8%

6.5%

0.6%

9.5%

Outlook

Net Income/Loss

MWK expects to report a net loss for 3Q 2020 and 4Q 2020, and for FY20, due primarily to quarterly interest expense, net and stock-based compensation expense

FY20 Revenue

\$114.5Mil

\$170-180Mil

FY19

FY20 Projection

“ I am proud to report Mohawk’s first quarter of Adjusted EBITDA profitability. Crossing over to Adjusted EBITDA profitability is an important milestone that demonstrates the power of our platform business model. Our strong second quarter results reflect our continued ability to leverage our tech enabled business model as well as the agile and innovative culture we have created. ”

- Yaniv Sarig, CEO

Other Highlights

Gross Margin

46.2%

Operating Expenses

\$29.4Mil

+8%

Operating Loss

-\$1.8Mil

Operating cash flow

-\$4.4Mil

R&D Expense

\$2.45Mil

Total Cash Balance

\$17.2Mil

(All comparisons are on a year-over-year basis, unless otherwise stated)

https://news.alphastreet.com/mohawk-group-ceo-interview/

2/6

Infographic: Duke Energy Q2 2020 Earnings Results

Duke Energy (NYSE: DUK) reported second-quarter financial results before the market opened on Monday. The energy holding company surpassed earnings expectations by 5 cents per share during the quarter. DUK



The quarter also saw an increased demand for low-margin PPE products, and the management expects this trend to continue into Q3. Meanwhile, Sarig stated that he doesn't believe this should have any material impact on the overall margins.

## Dependence on Amazon

The company depends primarily on Amazon and Walmart ([NYSE: WMT](#)) to sell products from its four brands – Home, Vremi, Xtava, and RIF6. While this exposes the firm to the changes in seller policies of these two retail giants to some extent, Mohawk management feels their ecosystem offers it the best opportunity to connect with customers.

Responding to [Amazon CEO Jeff Bezos's recent comments](#) that it may have used third-party seller data for the development of private labels, Sarig said imitations are not a concern as long as its products get acceptability and strongly favorable consumer reviews.



*“Our market a \$300 billion pie today. So even if Amazon is going to want a bigger piece of this pie, there’s still so much business out there for us to be the second biggest. Selling products on Amazon behind Amazon is still an enormous opportunity. Apart from that, there are abundant opportunities in international markets, such as Flipkart in India or Tmall in China.”*

According to the CEO, Mohawk's international expansion timelines have been stretched by the disruption caused by COVID-19. Once the dust settles, the firm has numerous regions including India, China, Japan, and Europe on its radar.

Analysts are quite bullish about this company, with an average 12-month price target that is almost 90% above Monday's closing price. The stock carries an average Strong Buy rating.

For more updates on Mohawk Group, read the [latest earnings transcript](#).

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- ☐ Google Hangouts
- ☐ Whatsapp
- ☐ Bluejeans
- ☐ None of the Above

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