
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **May 8, 2020**

Mohawk Group Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-38937
(Commission
File Number)

83-1739858
(IRS Employer
Identification No.)

Mohawk Group Holdings, Inc.

**37 East 18th Street, 7th Floor
New York, NY 10003**

(Address of Principal Executive Offices)(Zip Code)

(347) 676-1681

(Registrant's telephone number, including area code)

N/A

(Former Name, or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, \$0.0001 par value

Trading Symbol
MWK

Name of each exchange on which registered
The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On May 11, 2020, Mohawk Group Holdings, Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended March 31, 2020. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in this Item 2.02, including the press release attached hereto as Exhibit 99.1, is intended to be furnished under Item 2.02 and Item 9.01 of Form 8-K and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective May 8, 2020, the Company terminated Peter Datos, the Company’s Chief Operating Officer, from all positions within the Company.

On March 12, 2020, the Company appointed Pramod K C, age 43, as the Company’s Chief Operating Officer, effective June 1, 2020. Upon commencement of his appointment, Mr. K C will assume the duties of the Company’s principal operating officer until such time as his successor is appointed, or until his earlier resignation or removal. There are no reportable family relationships or related party transactions (as defined in Item 404(a) of Regulation S-K) involving the Company and Mr. K C.

Prior to joining the Company, Mr. K C was head of Asia Operations for G-Lab GmbH, a Swiss consumer electronics company, from April 2014 to May 2020. Mr. K C previously held various General Manager positions at PassageMaker Solutions, a supply chain management company in Asia, from July 2007 to March 2014 and was involved in development, procurement, production management, quality control and export logistics within the supply chain for a variety of clients, including Hewlett-Packard, DELL, Harley Davidson and Home Depot. Mr. K C started his career as a product development engineer, performing embedded software programming for consumer electronics products. He then began handling and managing integrated supply chains and operations for companies operating in the Asia-Pacific region. He holds a Bachelor in Engineering with a focus in Applied Electronics Technology from Shanghai University.

On March 12, 2020, the Company entered into an offer letter and an assignment agreement with Mr. K C (together, the “Offer Letter”). Pursuant to the Offer Letter, Mr. K C’s annualized salary is \$307,000. In addition, the Company shall also provide Mr. K C with an annual housing stipend of \$35,000 and health insurance stipend of \$12,451. Mr. K C is also eligible for an annual 20% performance bonus, subject to approval by the Compensation Committee of the Board of Directors of the Company. Mr. K C’s employment will be on an “at will” basis. Additionally, the Company will grant Mr. K C a restricted stock award for 75,000 shares of restricted common stock of the Company (the “Award”). One-third of the number of shares subject to the restricted stock award shall vest one year from the date of grant and 1/24th of the number of shares subject to the restricted stock award shall vest each one month period thereafter, subject to Mr. K C’s continuous service through such date

The foregoing description of the Offer Letter does not purport to be complete and is qualified in its entirety by reference to the full text of the Offer Letter, which is filed as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

On May 11, 2020, the Company issued a press release announcing the appointment of Mr. K C as the Company’s Chief Operating Officer. A copy of the press release is filed herewith as Exhibit 99.1 and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Number	Description
10.1+	Offer Letter, dated March 12, 2020, by and between Mohawk Group, Inc. and Pramod K C.
99.1	Press Release issued by Mohawk Group Holdings, Inc., dated May 11, 2020

+ Non-material schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted schedules and exhibits upon request by the Securities and Exchange Commission

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 hereunto duly authorized.

MOHAWK GROUP HOLDINGS, INC.

Date: May 11, 2020

By: /s/ Yaniv Sarig
Yaniv Sarig
President and Chief Executive Officer



Mohawk Group, Inc.
37 E. 18th St, 7th Fl
New York, NY 10003

Date: March 12, 2020

Dear Mr. Pramod K C,

Mohawk Group, Inc (the "Company"), is super excited to offer you employment with the Company.

Position, Salary and Bonus Target. I am pleased to offer you the position listed below. You will receive an annual salary listed below, subject to periodic review. You are eligible to participate in the Company bonus program; your annual bonus target will be the below percentage. If at any point in your employment, your position / level changes, your annual bonus target may change. Bonuses under the Company bonus program are entirely discretionary, and will not be paid out if you were to leave the Company for any reason or give notice to leave before the bonus payment date. The actual bonus amount could be larger or smaller than this amount, based on your performance and the performance of the Company. Whether a bonus will be awarded in a particular bonus period, and in what amount, is within Mohawk's sole discretion. Please note that both your salary and bonus eligibility are subject to periodic review and may be modified in Mohawk's discretion.

Title: Chief Operating Officer

Salary: \$307,000.00 (gross) - it being understood and agreed that the portion of salary allocated to your assignment in Shenzhen shall be based on 1,100,000 RMB (\$157,500) per year notwithstanding any currency exchange rate fluctuations between USD/RMB and the remaining 149.500 USD be paid by the US entity

Annual Bonus Target: 20% of Salary

Location: Primarily Shenzhen, with occasional periodic travel to headquarters in NYC. You will be required to sign an assignment agreement to be assigned to work in Shenzhen, which will govern the terms and conditions of your work there.

By signing this letter, you confirm with the Company that you are under no contractual or other legal obligations that would prohibit you from performing your duties with the Company. As a regular employee of the Company you will be eligible to participate in a number of Company-sponsored benefits, which are described in the employee benefit summary that I have enclosed with this letter.

Equity Award. Subject to the approval of the Board of Directors of Mohawk Group Holdings, Inc. (“MGHI”), you will be granted **75,000** shares of restricted common stock or restricted stock units, of MGHI, at MGHI’s discretion. The award will be subject to the terms and conditions applicable to restricted stock granted under MGHI’s 2018 Equity Incentive Plan, as described in that plan and the applicable stock option agreement, which you will be required to sign. You will vest in 33.3% of the shares on the 12-month anniversary of your vesting commencement date and 1/24th of the remaining shares will vest in monthly installments thereafter during continuous service, as described in the applicable award agreement. You should consult with your own tax advisor concerning the tax risks associated with accepting an award of MGHI’s restricted common stock.

Additional Benefits: In addition to the base, bonus, and equity, the Company will offer additional benefits to support you in your role as follows:

- Annual Housing: \$35,000 per year payable in equal monthly installments
- Health Insurance: \$12,451 payable as necessary to procure health insurance.

If you leave the Company within a year of distribution of these funds, you will be expected to repay the amount prorated for the time employed. If additional compensation is required to be paid to you locally as part of your visa and you continue to receive compensation from other MGHI subsidiaries, your total annual compensation will be adjusted to match your agreed to Salary (i.e. \$307,000 stated above).

Proprietary Information and Inventions Agreement. Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company’s enclosed standard Proprietary Information and Inventions Agreement.

Employment Relationship. Employment with the Company is for no specific period of time. Your employment with the Company will be “at will,” meaning that either you or the Company may terminate your employment at any time and for any reason, with or without cause. Any contrary representations which may have been made to you are superseded by this offer. This is the full and complete agreement between you and the Company on this term, notwithstanding any other agreements to the contrary including agreements required in connection with procuring an appropriate visa. Although your job duties, title, compensation and benefits, as well as the Company’s personnel policies and procedures, may change from time to time, the “at will” nature of your employment may only be changed in an express written agreement signed by you and the Company’s Chief Executive Officer. You agree and acknowledge that your assignment to work in Shenzhen and the fact that your work permit is sponsored by the Company’s Shenzhen entity will not create any employment relationship whatsoever with the Shenzhen entity at any time; rather, your employment relationship is established with the Company in the US and governed by the applicable US law.

Outside Activities. While you render services to the Company, you agree that you will not engage in any other employment, consulting or other business activity, including selling on Amazon, eBay, or other ecommerce platforms, without the written consent of the Company. In addition, while you render services to the Company, you will not assist any person or entity in

competing with the Company, in preparing to compete with the Company or in hiring any employees or consultants of the Company.

No Conflicts. It is the policy of the Company that employees neither disclose nor use any confidential information from prior employment while employed by the Company. If you have entered into specific non-disclosure agreements, non-compete agreements, non-solicitation agreements, or any other agreements with any previous employer that might affect your eligibility to be employed by us, restrict your freedom to lawfully recruit others to join our team, or otherwise limit the manner in which you may be employed, please provide us with a copy so that we can ensure that both you and the Company will be able to abide by the terms thereof if you are employed by the Company. It is the Company's understanding that any such agreements will not prevent you from performing the duties of your position and you represent that such is the case. This offer is expressly contingent upon your providing us with these agreements prior to accepting this offer, or the Company waiving this contingency, in its sole discretion.

Withholding Taxes. All forms of compensation referred to in this letter are subject to applicable withholding and payroll taxes.

Entire Agreement. This letter supersedes and replaces any prior understandings or agreements, whether oral, written or implied, between you and the Company regarding the matters described in this letter.

[Signature Page Follows]

If you wish to accept this offer, please sign and date both the enclosed duplicate original of this letter and the enclosed Proprietary Information and Inventions Agreement and return them to me. As required, by law, your employment with the Company is also contingent upon your providing legal proof of your identity and authorization to work in the United States as well as your securing a valid work and residence permits to work and reside in Shenzhen. We look forward to having you join the team!

Sincerely,

/s/ Yaniv Sarig

Yaniv Sarig, CEO
Mohawk Group, Inc.

ACCEPTED AND AGREED:

/s/ Pramod KC

Name: Pramod K C

Date: 3/12/2020

Anticipated Start Date: 3/12/2020

Attachment A: Proprietary Information and Inventions Agreement

ATTACHMENT A

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT



PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

In consideration of my employment or consulting (including independent contracting) relationship with **Mohawk Group, Inc.**, a Delaware corporation (the “**Company**”), the training, contacts and experience that I may receive in connection with such relationship, the compensation paid to me by the Company, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, I agree as follows:

Section 1.

Definitions

The following terms have the following specified meanings:

“**Competing Business**” means any business who offers products or services that are directly or indirectly competitive with the products or services of the Company. A Competing Business includes any business pursuing research and development and/or offering products or services in competition with products or services which are, during and at the end of the Term, either (a) produced, marketed, distributed, sourced or otherwise commercially exploited by the Company or (b) in actual or demonstrably anticipated research or development by the Company.

“**Confidential Information**” means any information related to the business or other affairs of the Company or its affiliates that is not generally available to the public, and that: (a) is conceived, compiled, developed, or discovered by me whether solely or jointly with others, during the Term or (b) is or has been received or otherwise becomes known to me in connection with my employment or consulting relationship. Without limiting the generality of the foregoing, Confidential Information includes information, both written and oral, relating to Inventions and Works, trade secrets and other proprietary information, technical data, products, services, finances, business plans, marketing plans, legal affairs, suppliers, clients, potential clients, prospects, opportunities, contracts or assets of the Company or its affiliates. Confidential Information also includes any information that has been made available to the Company by its clients or other third parties and which the Company is obligated to keep confidential.

“**Inventions and Works**” means any composition, work of authorship, computer program, product, device, technique, know-how, algorithm, method, design, process, procedure, improvement, discovery or invention, whether or not patentable or copyrightable and whether or not reduced to practice, that is (a) within the scope of the Company’s business, research or investigations, or results from or is suggested by any work performed by me for the Company, and (b) created, conceived, reduced to practice, developed, discovered, invented or made by me during the Term, whether solely or jointly with others, and whether or not while employed by, or in a consulting relationship with, the Company.

“**Materials**” means any product, prototype, sample, model, document, diskette, tape, picture, drawing, design, recording, report, proposal, paper, note, writing or other tangible item which in whole or in part contains, embodies or manifests, whether in printed, handwritten, coded, magnetic or other form, any Confidential Information or Inventions and Works.

“**Person**” means any corporation, limited liability company, partnership, trust, association, governmental authority, educational institution, individual or other entity.

“**Proprietary Right**” means any patent, copyright, trade secret, trademark, trade name, service mark or other protected intellectual property right in any Confidential Information, Inventions and Works, or Material.

“**Restricted Period**” means the period commencing at the beginning of the Term and ending one (1) year after expiration of the Term.

“**Term**” means the period from the beginning of my employment or consulting relationship with the Company, whether on a full-time, part-time or consulting basis, through the last day of such employment or consulting relationship.

Section 2.

Confidential Information, Inventions and Works, and Materials

2.1 Ownership. As between the Company and me, the Company is and will be the sole owner of all Confidential Information, Inventions and Works, Materials and Proprietary Rights. To the extent eligible for such treatment, all Inventions and Works will constitute “works made for hire” under applicable copyright laws.

2.2 Assignment. I hereby irrevocably assign and transfer to the Company all right, title and interest that I may now or hereafter have in the Confidential Information, Inventions and Works, Materials and Proprietary Rights, subject to the limitations set forth in the notice below. This assignment and transfer is independent of any obligation or commitment made to me by the Company. Further, I hereby waive any moral rights that I may have in or to any Confidential Information, Inventions and Works, Materials and Proprietary Rights. I will take such action (including, but not limited to, the execution, acknowledgment, delivery and assistance in preparation of documents or the giving of testimony) as may be requested by the Company to evidence, transfer, vest or confirm the Company’s right, title and interest in the Confidential Information, Inventions and Works, Materials and Proprietary Rights, and the license rights described in Section 2.6 below. I agree to keep and maintain adequate and current written records of all Inventions and Proprietary Rights during the Term. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times. I will not contest the validity of any Proprietary Rights or aid or encourage any third party to contest the validity of any Proprietary Right of the Company. If I have any question as to whether any information, an invention, a work, a material or a right qualifies, respectively, as Confidential Information, an Invention, a Work, a Material or a Proprietary Right, I will inform the Company of the nature of such information, invention, work, material or right for the Company’s determination as to whether such information, invention, work, material or right is, respectively, Confidential Information, an Invention, a Work, a Material or a Proprietary Right.

NOTICE: Notwithstanding any other provision of this Agreement to the contrary, this Agreement does not obligate me to assign or offer to assign to the Company any of my rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on my own time, unless (a) the invention relates (i) directly to the business of the Company or (ii) to the Company's actual or demonstrably anticipated research or development, or (b) the invention results from any work performed by me for the Company. This satisfies the written notice and other requirements of California Labor Code Section 2870 or any other similar state statute that may be applicable in my case.

2.3 Company Authority. If the Company is unable for any reason to secure my signature to fulfill the intent of the foregoing paragraph or to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Inventions and Works assigned to the Company above, then I irrevocably appoint the Company and its authorized agents as my agent and attorney in fact, to transfer, vest or confirm the Company's rights and to execute and file any such applications and to do all other lawful acts to further the prosecution and issuance of letters patent or copyright registrations with the same legal force as if done by me.

2.4 Use Restrictions. Except as required for performance of my work for the Company or as authorized in writing by the Company, I will not (a) use, disclose, publish or distribute any Confidential Information, Inventions and Works or Materials or (b) remove any Materials from the Company's premises. I will hold all Materials in trust for the Company and I will deliver them to the Company upon request and in any event at the end of the Term. I will take all action necessary to protect the confidentiality of the Confidential Information, Inventions and Works or Materials including, without limitation, implementing and enforcing operating procedures to minimize the possibility of unauthorized use or copying thereof.

2.5 Disclosure Obligations. I will promptly disclose to the Company all Confidential Information, Inventions and Works, and Materials, as well as any business opportunity that comes to my attention during the Term and which relates to the business of the Company or which arises as a result of my employment or consulting relationship with the Company. I will not take advantage of or divert any such opportunity for the benefit of myself or anyone else either during or after the Term without the prior written consent of the Company. I agree that at the end of the Term I will deliver to the Company (and will not keep in my possession, recreate or deliver to anyone else) any and all Inventions and Works, Materials and other property belonging to the Company, its successors or assigns.

2.6 Prior Inventions. I have attached as **Exhibit A** a list describing all inventions, original works of authorship, developments, improvements, and trade secrets which were made by me prior to the Term (collectively referred to as "**Prior Inventions**"), which belong to me or in which I have an interest, which relate to the Company's current or proposed business, products or research and development, and which are not assigned to the Company. I represent and warrant that this list is complete and accurate. If no such Prior Inventions exist, then I have written "none" on Exhibit A or left it blank. If Exhibit A is left blank or reads "none," then I represent that there are no Prior Inventions. Notwithstanding the notice in Section 2.2, if, during the Term, I use any Prior Inventions with or incorporate any Prior Invention in any Confidential

Information, Inventions and Works or Materials into a Company product, process or machine, I hereby irrevocably grant to the Company, to the full extent of my rights in and to the same, a fully paid-up, perpetual, worldwide right and license to sublicense, disclose, offer, copy, distribute, import, make, have made, make derivative works of, use and otherwise exploit any trade secrets, copyrights, patents or other proprietary rights to the Prior Inventions belonging to me or a third party with such Confidential Information, Inventions and Works, or Materials.

Section 3.

Nonsolicitation, Noncompetition, Etc.

3.1 No Solicitation. During the Restricted Period, I will not induce, or attempt to induce, any employee or consultant of the Company to leave such employment or relationship to engage in, be employed by, perform services for, participate in or otherwise be connected with, either directly or indirectly, me or any enterprise with which I am in any way associated.

3.2 No Breaches. My execution, delivery and performance of this Agreement and the performance of my other obligations and duties to the Company will not cause any breach, default or violation of any other employment, nondisclosure, confidentiality, consulting or other agreement to which I am a party or by which I may be bound. Attached as Exhibit B is a list of all prior agreements now in effect under which I have agreed to keep information confidential or not to compete or solicit employees of any Person. I will not use in performance of my work for the Company or disclose to the Company any trade secret, confidential or proprietary information of any prior employer or other person or entity if and to the extent that such use or disclosure may cause any breach, default or violation of any obligation or duty that I owe to such other person or entity (e.g., under any agreement or applicable law). My compliance with this Section 3.2 will not prohibit, restrict or impair the performance of my work, obligations and duties to the Company.

3.3 Nondisparagement. During the Restricted Period, I will not (a) make any false, misleading or disparaging representations or statements with regard to the Company or the products or services of the Company to any third party or (b) make any statement to any third party that may impair or otherwise adversely affect the goodwill or reputation of the Company.

3.4 Noncompetition. During the Restricted Period, I will not engage in, be employed by, perform services for, participate in the non-passive ownership, management, control or operation of, or otherwise be connected with or participate in any Competing Business or activity that is in any way competitive with the business or proposed business of the Company, including but not limited to businesses that engage in the development, design, manufacturing, and/or sale of functionally similar products and technologies to those of the Company. I agree that this restriction is reasonable for my employment with the Company, but further agree that should a court exercising jurisdiction with respect to this Agreement find any such restriction invalid or unenforceable due to unreasonableness, either in period of time, geographical area, or otherwise, then in that event, such restriction is to be interpreted and enforced to the maximum extent which such court deems reasonable. The Company, in its sole discretion, may determine to waive the noncompetition provisions of this Section 3.4. Any such waiver shall not constitute a waiver of any noncompetition or forfeiture provisions of any other agreement between the Company and me.

3.5 Diversion of Company Business. During the Restricted Period, I will not divert or attempt to divert from the Company any business the Company enjoyed or solicited from its customers during the twelve (12) months prior to the end of the Term, nor will I solicit or attempt to induce any customer, supplier, partner or other person or entity with whom the Company has, or is attempting to establish, a commercial relationship to cease or refrain from doing business with the Company or to alter its relationship with the Company in any way adverse to the Company.

Section 4.

Termination of Relationship

4.1 Return of Company Property. I hereby authorize and specifically agree to allow the Company to deduct from my wages or other payments due me, the value of any property (including equipment, goods, or other items provided to me by the Company during my employment or consulting relationship) which I fail to return when requested to do so by the Company, provided that such deduction (a) does not exceed the cost of the item, (b) does not reduce my wages below minimum wage or overtime compensation below time and a half, (c) is not made for normal wear and tear on or nonwillful loss or breakage of the provided item(s), and (d) is accompanied with a list of all items for which deductions are being made. I agree that at the end of the Term I will deliver to the Company (and will not keep in my possession, re-create or deliver to anyone else) any and all Materials and other property belonging to the Company, its successors or assigns. I agree to sign and deliver a certificate to the Company as to my compliance with this paragraph.

4.2 New Employer Information. At the end of the Term or at any time within six (6) months thereafter, if requested by the Company, I agree to provide the name of my new employer, if any, and I consent to notification by the Company to my new employer about my rights and obligations under this Agreement.

Section 5.

General Provisions

5.1 At-Will Employment. This Agreement is not a contract of employment and no rights of employment are hereby created. Unless otherwise set forth in a written agreement signed by me and the Company, my employment with the Company (if I am an employee) is “at will” and may be terminated at any time, with or without cause, by me or the Company.

5.2 Survival. The following provisions will survive the termination or expiration of this Agreement: Sections 1, 2, 3.1, 3.3, 3.4, 3.5 and 5.

5.3 Specific Performance. In the event of any breach of or default under this Agreement by me, the Company may suffer irreparable harm and damages may not be an adequate remedy. In the event of any such breach or default, or any threat of such breach or default, the Company will be entitled to injunctive relief and specific performance. Further, in any legal action or other proceeding in connection with this Agreement (e.g., to recover damages or other relief), the prevailing party will be entitled to recover, in addition to any other relief to which it may be entitled, its reasonable attorneys’ fees and other costs incurred in that action or proceeding. The rights and remedies of the Company under this Section 5.3 are in addition to, and not in lieu of,

any other right or remedy afforded to the Company under any other provision of this Agreement, by law or otherwise.

5.4 Severability. This Agreement will be enforced to the fullest extent permitted by applicable law. If for any reason any provision of this Agreement is held to be invalid or unenforceable to any extent, then (a) such provision will be interpreted, construed or reformed to the extent reasonably required to render the same valid, enforceable and consistent with the original intent underlying such provision and (b) such invalidity or unenforceability will not affect any other provision of this Agreement or any other agreement between the Company and me. If the invalidity or unenforceability is due to the unreasonableness of the scope or duration of the provision, the provision will remain effective for such scope and duration as may be determined to be reasonable.

5.5 No Waiver. The failure of the Company to insist upon or enforce strict performance of any other provisions of this Agreement or to exercise any of its rights or remedies under this Agreement will not be construed as a waiver or a relinquishment to any extent of the Company's rights to assert or rely on any such provision, right or remedy in that or any instance; rather, the same will be and remain in full force and effect.

5.6 Entire Agreement. This Agreement shall be effective as of the date I execute the Agreement and shall be binding upon me, my heirs, executors, assigns and administrators. This Agreement sets forth the entire Agreement, and supersedes any and all prior agreements, between me and the Company with regard to the Confidential Information, Inventions and Works, Materials and Proprietary Rights of the Company. This Agreement is independent of any other written agreements between me and the Company regarding other aspects of my employment. This Agreement may not be amended, except in a writing signed by me and an authorized representative of the Company.

5.7 Governing Law and Venue. This Agreement will be governed by the laws of the State of New York without regard to its choice of law principles to the contrary. I irrevocably consent to the jurisdiction and venue of the state and federal courts located in New York County, New York, in connection with any action relating to this Agreement. Further, I will not bring any action relating to this Agreement in any other court.

5.8 Acknowledgement. I have carefully read all of the provisions of this Agreement and agree that (a) the same are necessary for the reasonable and proper protection of the Company's business, (b) the Company has been induced to enter into and continue its relationship with me in reliance upon my compliance with the provisions of this Agreement, (c) every provision of this Agreement is reasonable with respect to its scope and duration and (d) I have received a copy of this Agreement.

This Agreement shall be effective as of 3/12/2020.

NAME

Pramod K C

Signature

/s/ Pramod KC

Passport No:

[...***...]

ACCEPTED:

MOHAWK GROUP, INC.

/s/ Yaniv Sarig

Yaniv Sarig, CEO

Mohawk Group, Inc.

ASSIGNMENT AGREEMENT

among

Mohawk Group, Inc.

and

Pramod K C

and

Shenzhen Mohawk Technology Ltd. Co

THIS ASSIGNMENT AGREEMENT (Agreement) is made on March 12, 2020 in United States of America (**USA**)

among

(1) **Mohawk Group, Inc. (Company)**, a company incorporated and registered in [] USA, with its registered office at 37 East 18th St. #7, NY, NY 10003;

and

(2) **Pramod K C (Assignee)**, a Nepalese citizen and having passport number [...***...], with his residential address at [...***...].

and

(3) **Shenzhen Mohawk Technology Ltd. Co (Local Entity)**, a company organized and existing under the laws of the People's Republic of China (**PRC**) with its registered address at Room 502, No.1 Building Dachong Business Center (Phase II) No.9680 Shennan Road, Nanshan Shenzhen, China , Shenzhen PRC.

WHEREAS

- A. The Company and the Assignee entered into an employment agreement dated March 12, 2020 (**Master Agreement**), pursuant to which the Company hired the Assignee as a Chief Operating Officer. The Master Agreement has been prepared under and governed by the laws of the state of New York, USA. The Company now wishes to assign the Assignee to its China subsidiary, the Local Entity, at the request of the Local Entity.
- B. The Assignee agrees to be assigned to work for the Local Entity.
- C. This Agreement addresses the specific details of the Assignee's assignment to the Local Entity in Shanghai, PRC by the Company.
- D. This Agreement is the integral part of the Master Agreement and shall have same legal binding effect.

NOW, THEREFORE, the parties hereby agree as follows:

1. Term of Assignment

The term of the Assignee's assignment by the Company to the Local Entity is two years and shall commence on June 1, 2020 and expire on June 1, 2022. The term may be terminated by either party in accordance with the provisions hereof.

2. Assignment

The Assignee acknowledges and agrees that:

- 2.1 his employment by the Company is a condition precedent to his assignment with the Local Entity;
- 2.2 he is hired by the Company and assigned to work for the Local Entity, and this Agreement shall not, in any event, be construed as an offer or an agreement of employment between the Local Entity and him; nor shall the assignment hereunder give rise to an employment relationship between the Assignee and the Local Entity in any circumstances whatsoever;
- 2.3 the Local Entity shall be entitled to determine the nature and scope of the Assignee's work, and the Local Entity shall assume all relevant risks and responsibilities relating to such work by the Assignee;
- 2.4 the Local Entity is entitled, in consultation with the Company, to change his position and responsibilities based on his capabilities and performance; and
- 2.5 the Local Entity is entitled, in consultation with the Company, to relocate him to another place of work (inside or outside the PRC) from time to time, as determined in accordance with the Company's and the Local Entity's business or operational requirements. Any housing costs that may be incurred as a result of such relocation shall be handled in accordance with the Company's policies.

3. Responsibilities and Working Hours

- 3.1 During the term of the employment and this Agreement, the Assignee shall exclusively devote his attention, energy and efforts to the performance of his duties and responsibilities in accordance with the lawful requirements of the Local Entity, and shall diligently and faithfully endeavor to promote the business and best interests of the Company and the Local Entity. The Assignee's job responsibilities shall include, without limitation, the following:
 - Help to set the strategic direction and tactical plans to advance the Company's mission and objectives and to promote supply chain efficiency, especially in the sourcing organization.
 - Determine measures of success related to overall strategy and objectives and ensure alignment.
 - Establish and review activity reports, KPIs and financial statements.
-

- Foster and leverage strong relationships with the suppliers and co-manufacturers in China; negotiate mutually beneficial contracts with a focus on long-term collaboration; ensure consistent delivery of high-quality products and services to customers, internal and external.
- Develop and implement procedures, policies, and standards; assess, monitor, and manage the primary risks; ensure proper internal controls are in place.
- Balance short-term and longer-term business needs; increase revenue without sacrificing profitability.
- Advocate Aimee's capabilities in the marketplace and develop accounts that will adopt the technology on a consistent basis; focus on generating repeat purchases and long-term contracts.
- Build, develop, and motivate a capable and cohesive multi-function leadership team; organize the sourcing team appropriately to achieve growth.
- Stay in close contact with other divisions within the company; build bridges among different teams to enable ideation and collaboration.
- Maintain a team-oriented environment that promotes open discussions on important issues with a high level of personal commitment and accountability.
- Ensure alignment and commitment to Company values, objectives and practices; Model behaviors that are consistent with Company values.
- Play a leading role in developing and maintaining Company and Local Entity image and reputation in the marketplace.

3.2 The Assignee shall complete the stipulated tasks on time. The quality of the Assignee's work must satisfy the requirements of his position and the relevant mutual agreement between the Assignee and the Company.

3.3 During the term of this Agreement, the Assignee shall at all times perform his services for the Local Entity with the care, skill and diligence normally provided by a professional person during the performance of services of the type rendered hereunder. The Assignee shall at all times exercise any discretion he may have in the best interest of the Local Entity and the

Company, and use his best endeavors to promote the interests and welfare of the Local Entity and the Company.

- 3.4 The Assignee shall be liable for any damage or loss caused to the Company (whether directly or due to damage or loss caused to the Local Entity) as a result of his negligence or serious violation of the Company's or the Local Entity's policies or by acting in excess of his authority.
- 3.5 The Assignee's normal working hours shall be 9 a.m. to 5 p.m. daily Monday to Friday with a one (1) hour paid lunch break. The Assignee understands and agrees that, due to the nature of his position and particular job duties, if the Assignee is unable to complete a task during normal working hours or in the event of any serious or emergency incident occurring during the course of the Local Entity's daily operations, the Assignee shall use his best endeavors to complete the task or handle such incident, regardless of whether or not this involves working on weekends or holidays, and the Local Entity is not required to pay overtime. If the Assignee works during anytime outside of the normal working hours, the Assignee acknowledges and agrees that he is working at his own discretion and not at the request of the Local Entity.
- 3.6 The Assignee must obey the Local Entity's reasonable instructions and policies during the course of his work. If the occurrence of any accident at work comes to his knowledge, the Assignee shall report the same to the Company's CEO.
- 3.7 The Assignee shall report to the Company's CEO, whom the Assignee shall, at all times, keep fully informed of his work and activities.

4. Remuneration

- 4.1 The Assignee acknowledges and agrees that, during this work at the Local Entity, his salary shall be paid by the Company in accordance with the Master Agreement. On this basis, during the term of the assignment, the Company will entrust the Local Entity to pay to the Assignee his salary in the amount of RMB 1,100,000 per year.
 - 4.2 The Assignee acknowledges and agrees that, throughout his assignment to the Local Entity under this Agreement, his welfare and benefits entitlements shall be handled by the Company in accordance with the Master Agreement.
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5. Individual Income Tax and Social Insurance

- 5.1 The Assignee shall be responsible for any individual income tax payable on his salary and benefits under the laws of the USA and the PRC. However, for the purpose of avoiding double taxation (where applicable), the Company will assist the Assignee in completing the relevant forms to evidence that his services were not rendered in any other country but the PRC, and the Local Entity shall reimburse the Assignee for the tax preparation expenses for PRC taxes. All receipts must be provided.
- 5.2 Although there is no employment relationship between the Local Entity and the Assignee, the Local Entity is still obligated to contribute social insurance for the Assignee in Shenzhen in accordance with the relevant PRC law requirements. For those contributions for which the Assignee is liable, the Local Entity will lawfully withhold the corresponding amount of money from the remuneration paid by the Local Entity to the Assignee as entrusted by the Company.

6. Other Benefits

- 6.1 The Company and the Local Entity shall assist the Assignee with the application for the relevant legal documents, including but not limited to work visa, work permit and residence permit, in order for the Assignee to work legally in the PRC.

The Assignee acknowledges and agrees that the possession of a valid work visa and/or work permit issued by the relevant PRC authorities is a precondition to the validity of this Agreement. If the work visa and/or work permit could not be secured from the relevant PRC authorities for any reason whatsoever, the Assignee will not be able to work for Local Entity and this Agreement may be terminated by the Company in accordance with Clause 9.2.8 below.

- 6.2 Subject to the Assignee complying with and satisfying any applicable requirements of the Local Entity's insurers, the Assignee will be entitled to join the Local Entity's standard medical insurance scheme, details of which will be provided to the Assignee separately. The Local Entity may change the insurance policies at any time without notice to the Assignee.

7. Expenses

Subject to the Local Entity's rules and policies, the Local Entity shall reimburse the Assignee for all business-related expenses incurred by him, in a proper and reasonable manner, during the course of his duties under this Agreement. Reimbursement is subject to the prior written consent of the Company's Chief

Executive Officer and contingent upon the delivery of relevant original receipts confirming the expense claims.

8. Statutory Holidays and Annual Leave

- 8.1 For the duration of this assignment, the Assignee is entitled to enjoy the statutory holidays of the PRC (and not concurrently those in the US).
- 8.2 The Assignee's annual leave entitlement shall continue in accordance with the Master Agreement, but the contact person for notification of the Assignee's intention to take annual leave during this assignment shall be the Company's Chief Executive Officer.
- 8.3 The Assignee may not, without the prior written consent of the Company's Chief Executive Officer, transfer any unused annual leave to a subsequent calendar year. Paid annual leave shall generally be taken during the same year in which it is earned. Any paid annual leave that has not been taken by the Assignee shall be deemed to have been automatically forfeited at the end of the year unless otherwise approved by the Company, in which case such balance may be carried forward to the following year.

9. Termination

- 9.1 The Assignee agrees that this Agreement or his assignment to the Local Entity may be terminated at any time and for any reason by the Company, by means of serving the Assignee with two (2) months' written notice for any reason or paying two (2) months' base salary in lieu of notice.
 - 9.2 Notwithstanding anything contained in this Agreement to the contrary, the Local Entity may terminate this Agreement immediately without prior notice if any of the following occurs:
 - 9.2.1 where the Assignee commits misconduct or any conduct tending to bring himself, the Local Entity or the Company into public disgrace or disrepute, or any serious breach or non-observance of any of the conditions of this Agreement;
 - 9.2.2 where the Assignee commits a serious misconduct of the Local Entity's or the Company's prescribed code of conduct or work policies and procedures;
 - 9.2.3 where the Assignee commits a dereliction of his duties or practice graft or favoritism;
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- 9.2.4 where the Assignee is found to have misrepresented his qualifications and/or experience to the Company and/or the Local Entity;
- 9.2.5 the committing or conviction of a felony (or equivalent crime) or crime involving moral turpitude or the committing of any act involving dishonesty or fraud under the laws of any jurisdiction applicable to the Local Entity or the Company;
- 9.2.6 substantial and repeated failure to perform duties within the scope of duties as reasonably and lawfully directed by the Local Entity or the Company;
- 9.2.7 gross negligence or willful misconduct with respect to the Local Entity or the Company;
- 9.2.8 where the Assignee fails to secure a valid work visa and work permit from the relevant PRC authorities for any reason whatsoever; or
- 9.2.9 any other material breach of this Agreement by the Assignee, which is not rectified within 3 calendar days after his receipt of a written notice alerting the Assignee thereof. Each case will be determined by the good faith judgment of the Local Entity.

Any termination that is not for any reason set forth in Clause 9.2 shall be automatically deemed a termination pursuant to Clause 9.1.

- 9.3 As stipulated in Clause 2.1 above, the Assignee's employment by the Company is a condition precedent to his assignment with the Local Entity under this Agreement. For the avoidance of doubt, if the Master Agreement is terminated for whatsoever reason, this Agreement shall be terminated simultaneously.
 - 9.4 The Assignee acknowledges and warrants that, upon the termination of this Agreement for any reason, the Company shall, at its sole discretion, request the Assignee to return to his home country. Upon receipt of the Company's notice, the Assignee must return to his home country within 14 days. The Assignee further represents and warrants that, prior to leaving the PRC, the Assignee shall return his original work and residence permits for the Local Entity to handle the de-registration procedures for him in accordance with PRC law. In addition, the Assignee shall complete all work handover procedures and promptly return all property of the Local Entity which is in his possession.
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- 9.5 In the event that the Assignee resigns, unless a shorter period is mutually agreed in writing by the Assignee and the Assignee's direct supervisor, the Assignee must provide at least a sixty (60) days' written notice. In such situation, the Assignee shall also be required to complete all work handover procedures and promptly return all property of the Company and/or the Local Entity (including his original work permit) which is in his possession.
- 9.6 Any legal consequences arising from the Assignee's failure to return his original work and residence permits to the Local Entity for the de-registration of such permits with the relevant authorities as well as arising from his illegal stay in the PRC, shall be wholly assumed by the Assignee. Where his illegal stay in the PRC causes any losses or damage to the Local Entity and/or the Company, the Assignee undertakes that he shall be fully responsible to indemnify the Local Entity and/or the Company.

10. Confidential / Proprietary Information

10.1 Confidentiality

10.1.1 The Assignee hereby covenants and undertakes that the Assignee will not make use of, divulge or communicate to any person (save in the proper performance of the Assignee's duties under this Agreement) any of the trade secrets or other confidential information of or relating to the Company, the Group Company and the Local Entity, which the Assignee receives or obtains while in the employment of the Company or assignment to the Local Entity. This restriction shall continue to apply after the termination of Assignee's employment and/or his assignment hereof without limit in point of time.

In this Agreement, "**Group Company**" shall mean any affiliates, subsidiary or holding company of the Company or any subsidiary or affiliates of such holding company, and the Local Entity.

10.1.2 The term "**confidential information**" shall mean any information pertaining to the business of the Company, the Group Company and the Local Entity, or their clients, including in particular but not limited to, intellectual capital, business secrets, employees or officers, resources and methods, operational information, financial results, plans, compensation structures, strategies, on-line database, or any information which the Assignee have been told is confidential or which the Assignee might reasonably expect the Company, any Group Company and the Local Entity

would regard as confidential, or any information which has been given to the Company, any Group Company and the Local Entity in confidence by clients or other persons. The obligations contained in this clause shall not apply if disclosure has been permitted in writing or the Assignee is obliged to disclose such information under applicable law, and shall cease to apply to any information or knowledge which may subsequently come into the public domain after the termination of his employment by the Company or this Agreement other than by way of unauthorised disclosure.

10.2 Intellectual Property

- 10.2.1 Where in the rendering of the duties related to the Assignee's job position, the Assignee develops inventions, industrial designs, copyright works or any other kind of creation from which intellectual property rights arise, (hereinafter, the "**Works**"), the Assignee shall immediately inform the Company or the Local Entity in writing, providing all data and reports relating thereto that are at the Assignee's disposal.
- 10.2.2 The Assignee represents and acknowledges that the Works were made within the framework of his employment with the Company or during the term of this assignment; hence they belong exclusively to the Company, the Local Entity and/or the relevant Group Company. Likewise, the Assignee represents and acknowledges that the Assignee has no right to an additional remuneration for the making of such Works, since such activity is compensated with the salary agreed.
- 10.2.3 The Assignee undertakes to execute any and all public or private instruments necessary, or that the Company, the Local Entity and/or the relevant Group Company deems convenient, for the effective transfer of the rights over the Works to the Company, the Local Entity and/or the relevant Group Company, the registration of the Works in the corresponding Registries and any act of disposal over the Works, even after the termination of this Agreement. Likewise, the Assignee undertakes to assist the Company, the Local Entity and/or the relevant Group Company or its designee in every proper way to secure the Company, the Local Entity and/or the relevant Group Company's rights over the Works, and its protection against infringement by third parties, even after the termination of this Agreement. The expenses arising from the activities referred to in this paragraph will be
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borne by the Company, the Local Entity and/or the relevant Group Company.

11. Code of Conduct

The Assignee shall abide by the internal rules and regulations (**Handbook**) of the Local Entity, which may be adopted or amended by the Local Entity periodically (for the avoidance, unless otherwise provided, the Assignee will not be entitled to those benefits and other provisions in the Handbook which are only applicable to employees of the Local Entity). All policy changes shall be communicated to the staff via internal notices or other written correspondence.

12. Outside Employment

12.1 The Assignee will not at any time (except with the prior written consent of the Company) whilst employed by the Company and assigned to the Local Entity, directly or indirectly, be engaged, concerned or interested in, whether on his own behalf or on behalf of any person, firm or company, any trade or business (hereinafter, the "**Other Concern**"), by working for, advising or otherwise assisting the Other Concern (whether as a top executive or independent contractor or otherwise) or by promoting, financing or investing in the business or shares of the Other Concern.

12.2 During the term of this Agreement, the Assignee shall not place himself in a position which is in conflict with or may appear to be in conflict with the interests of the Company, any Group Company or the Local Entity, and the Assignee shall not (except with the prior sanction of a resolution of the Board) be directly or indirectly employed, engaged, concerned or interested in any other business or undertaking.

13. Obligations upon Termination

13.1 Upon the termination of his employment with the Company or assignment hereunder for whatever reason, the Assignee shall:

13.1.1 deliver to the Company or the Local Entity all keys, documents, including all those documents detailed in Clause 10 (including any computer material such as discs and tapes) and all copies thereof and any other property belonging to the Company or the Local Entity which may be in his possession or under his control, which relates in any way to the business or affairs of the Company or the Local Entity, or its clients. The Assignee shall also not, without written consent of the Company or the Local Entity, retain, copy, transfer or delete any copies thereof. All of

the above properties shall be returned in good repair and in working condition, allowing for ordinary wear and tear;

13.1.2 if so requested, send to the Company or the Local Entity, a signed statement confirming that the Assignee has complied with Clause 13.1.1 above; and

13.1.3 never present himself as a current employee of the Company or the Local Entity.

14. Data Protection

14.1 The Assignee hereby acknowledges and agrees that the Local Entity can collect, use, process, transfer (onshore or offshore) and/or disclose personal data relating to the Assignee (hereinafter, the "**Personal Data**") to ensure compliance with this Agreement and its legal obligations. The Local Entity will, from time to time, ask the Assignee to review and update any Personal Data it holds.

14.2 The Assignee understands and expressly accepts that the Local Entity may make available the Assignee's Personal Data to any Group Company operating internationally or the Company for reporting and group administration purposes, as well as to legal and regulatory authorities (including tax authorities), to future employers and potential purchasers of the Local Entity or any of its assets or business, to its accountants, auditors, lawyers, insurers and other outside professional advisers, and to providers of products or services to the Local Entity.

15. Money Withheld

The Company or the Local Entity may withhold from the Assignee any amount of money payable to the Assignee hereunder, or other amounts that the Company or the Local Entity may reasonably determine are required to be withheld pursuant to any applicable law or regulation.

16. Applicable Law

This Agreement is subject to the laws of the state of New York, USA and the parties hereby agree to submit to the non-exclusive jurisdiction of the courts in the laws of the state of New York, USA.

17. Severability

If any provision of this Agreement is held by any court of competent jurisdiction to be invalid or unenforceable in whole or in part, but would be enforceable if some

of its wording were deleted, it shall apply with such deletions as are necessary to make it enforceable. In the event that such provision is nonetheless still unenforceable, the remaining provisions of this Agreement shall continue in full force and effect.

18. Entire Agreement

This Agreement constitutes the entire agreement between the parties with respect to the Assignee's assignment to the Local Entity and supersedes any prior understandings, discussions, negotiations or agreements. This Agreement may not be amended or supplemented except by written agreement signed by the duly authorized representatives of both the Assignee and the Company or the Local Entity.

19. Language

This Agreement is prepared in in English.

IN WITNESS WHEREOF this Agreement has been signed by the parties on the date first specified above.

For and on behalf of
Mohawk Group, Inc.

Signature: /s/ Yaniv Sarig

Name: Yaniv Sarig

Title: Chief Executive Officer

Pramod K C

Signature: /s/ Pramod K C

Name: Pramod K C

For and on behalf of
Shenzhen Mohawk Technology Ltd. Co

Signature: /s/ Yaniv Sarig

Name: Yaniv Sarig

Title: Director and Chief Executive Officer

Mohawk Group Reports First Quarter 2020 Results - Net Revenue Grew 43.6% to \$25.6 Million; April Net Revenue Grew 75% From Continued Ecommerce Acceleration

Raises Net Revenue Guidance for Full Year 2020 Expects Positive Adjusted EBITDA in the Third & Fourth Quarters of 2020

NEW YORK, May 11, 2020 – Mohawk Group Holdings, Inc. (NASDAQ: MWK) (“Mohawk”) today announced results for the first quarter ended March 31, 2020.

First Quarter Highlights

- 16 new products launched in the first quarter of 2020.
- First quarter net revenue grew 43.6% year over year to \$25.6 million compared to \$17.8 million in the first quarter of 2019.
- First quarter gross margin improved to 40.2% versus 37.4% in the first quarter of 2019.
- First quarter operating loss of \$(13.9) million increased from \$(7.1) million in the first quarter of 2019.
- First quarter contribution margin improved to (2.9%) from (4.5%) in the first quarter of 2019, reflecting both higher sustain revenues and margin expansion.
- Excluding non-cash stock-based compensation of \$7.4 million, fixed operating expenses for the first quarter remained essentially flat.
- First quarter net loss of \$(15.0) million increased from \$(8.4) million in the first quarter of 2019.
- First quarter Adjusted EBITDA of \$(6.4) million versus \$(5.6) million in the first quarter of 2019.
- New COO, Pramod KC, appointed to lead Operations based out of Shenzhen office

Yaniv Sarig, Co-Founder and Chief Executive Officer, commented, “As we navigate the current environment, our thoughts are with the healthcare professionals, first responders and other essential workers around the world on the frontlines of the global COVID-19 pandemic. I am so proud of the resiliency of our team members and business partners who have gone above and beyond to ensure our business and operations are running smoothly to meet the heightened needs of online consumers during these unprecedented times.”

Mr. Sarig continued, “Our strong first quarter results are reflective of our ability to continue leveraging our tech enabled business model driven by data, automation and artificial intelligence to expand our market share. Importantly, as consumers are spending more time at home, we are experiencing an increase in demand for our products across categories. Balancing liquidity and growth remains a top priority, and we are managing all expenses, working capital and capital expenditures efficiently. These efforts, combined with our AIMEE software, and new product pipeline, have us well positioned to capitalize as purchasing behavior further shifts towards ecommerce.”

Outlook

For full year 2020, the Company increases its net revenue expectation to be in the range of \$165.0 million to \$175.0 million driven primarily by continued growth of its existing product portfolio and the positive contribution from new products launched in 2020. The Company expects to generate positive Adjusted EBITDA for the three months ended September 30, 2020 and also for the three months ended December 31, 2020.

Appointment of New COO

The Company announced today the appointment of Pramod K C as Chief Operating Officer, effective June 1, 2020. Mr. K C will oversee operations of the Company’s Asia supply chain and will be based in the Company’s

Shenzhen offices. In conjunction with this announcement, the Company also announced that Peter Datos will step down from his position as Chief Operating Officer and depart the Company.

Yaniv Sarig, Co-Founder and Chief Executive Officer of Mohawk Group, stated, "We are very pleased to welcome Pramod to Mohawk Group. He is a seasoned leader with significant integrated supply chain management and quality control experience in Asia, working with several well-known companies during his career. We believe his strong track record in operational management will be a great addition to our executive team. This strategic decision to shift the COO role to China highlights our increased focus on optimizing our supply chain and our commitment to accelerating the number of products we can launch while maintaining high quality and competitive pricing."

Mr. Sarig continued, "I want to thank Pete for his many contributions, especially in helping us grow our product portfolio. Pete is an accomplished leader and we wish him the best in his future endeavors."

Prior to joining the Company, Mr. K C was head of Asia Operations for G-Lab GmbH, a Swiss consumer electronics company, since April 2014. Mr. K C previously held various General Manager positions at PassageMaker Solutions, a supply chain management company in Asia, from July 2007 to March 2014 and was involved in development, procurement, production management, quality control and export logistics within the supply chain for a variety of clients, including Hewlett-Packard, DELL, Harley Davidson and Home Depot. Mr. K C started his career as a product development engineer, performing embedded software programming for consumer electronics products. He then began handling and managing integrated supply chains and operations for companies operating in the Asia-Pacific region. He holds a Bachelor in Engineering with a focus in Applied Electronics Technology from Shanghai University.

Non-GAAP Financial Measures

For more information on our non-GAAP financial measures and a reconciliation of GAAP to non-GAAP measures, please see the "Non-GAAP Financial Measures and Reconciliations" section below.

Webcast and Conference Call Information

Mohawk will host a live conference call to discuss financial results today, May 11, 2020, at 5:00 p.m. Eastern Time. Investors and analysts interested in participating in the call are invited to dial (877) 295-1077 (domestic) or (470) 495-9485 (international) at 5:00 p.m. ET and provide the Conference ID: 7123909. The conference call will also be available to interested parties through a live webcast <https://ir.mohawkgp.com/investor-relations>. Please visit the website at least 15 minutes prior to the start of the call to register and download any necessary software.

About Mohawk Group Holdings, Inc.

Mohawk Group Holdings, Inc. and subsidiaries ("Mohawk") is a rapidly growing technology-enabled consumer products company that uses machine learning, natural language processing, and data analytics to design, develop, market and sell products. Mohawk predominantly operates through online retail channels such as Amazon and Walmart. Mohawk has six owned and operated brands: hOmeLabs, Vremi, Xtava, RIF6, Holonix Health, and Aussie Health Co. Mohawk sells products in multiple categories, including home and kitchen appliances, kitchenware, environmental appliances (i.e., dehumidifiers and air conditioners), beauty related products and, to a lesser extent, consumer electronics. Mohawk was founded on the premise that if a company selling consumer packaged goods was founded today, it would apply artificial intelligence and machine learning, the synthesis of massive quantities of data and the use of social proof to validate high caliber product offerings as opposed to over-reliance on brand value and other traditional marketing tactics.

Forward Looking Statements

All statements other than statements of historical facts included in this press release that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements including, in particular, the statements about our expected 2020 net revenue and Adjusted EBITDA, the statements pertaining to our expected April 2020 net revenue which is subject to review by our external

auditors in connection with the filing of our Form 10-Q for the period ended June 30, 2020, our ability to manage expenses, working capital and capital expenditures efficiently, our business model and our technology platform, including our ability to disrupt the consumer products industry, our ability to grow market share in existing and new product categories; and our ability to generate profitability and shareholder value. These forward-looking statements are based on management's current expectations and beliefs and are subject to uncertainties and factors, all of which are difficult to predict and many of which are beyond our control and could cause actual results to differ materially and adversely from those described in the forward-looking statements. These risks include, but are not limited to, those related to the impact of COVID-19 including on consumer demand, our cash flows, financial condition and revenue growth rate; our supply chain, sourcing, manufacturing, warehousing and fulfillment; international tariffs and trade measures; inventory management, product liability claims, recalls or other safety concerns, reliance on third party online marketplaces, seasonal and quarterly variations in our revenue; acquisitions of other companies and technologies and other factors discussed in the "Risk Factors" section of our most recent periodic reports filed with the Securities and Exchange Commission ("SEC"), all of which you may obtain for free on the SEC's website at www.sec.gov. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof, even if subsequently made available by us on our website or otherwise. We do not undertake any obligation to update, amend or clarify these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

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Condensed Consolidated Statements of Operations
(Unaudited)
(in thousands, except share and per share data)

	Three months ended March 31,	
	2019	2020
NET REVENUE	\$ 17,846	\$ 25,628
COST OF GOODS SOLD	11,175	15,330
GROSS PROFIT	6,671	10,298
OPERATING EXPENSES:		
Research and development	1,163	2,281
Sales and distribution	9,274	13,910
General and administrative	3,366	8,003
TOTAL OPERATING EXPENSES:	13,803	24,194
OPERATING LOSS	(7,132)	(13,896)
INTEREST EXPENSE—net	1,212	1,109
OTHER EXPENSE (INCOME)—net	45	25
LOSS BEFORE INCOME TAXES	(8,389)	(15,030)
PROVISION FOR INCOME TAXES	—	—
NET LOSS	\$ (8,389)	\$ (15,030)
Net loss per share, basic and diluted	\$ (0.73)	\$ (0.99)
Weighted-average number of shares outstanding, basic and diluted	11,534,190	15,193,647

MOHAWK GROUP HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(Unaudited) (in thousands, except share and per share data)

	December 31, 2019	March 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash	\$ 30,353	\$ 14,050
Accounts receivable—net	1,059	4,164
Inventory	36,212	44,256
Prepaid and other current assets	5,395	4,857
Total current assets	<u>73,019</u>	<u>67,327</u>
PROPERTY AND EQUIPMENT—net	175	162
GOODWILL AND OTHER INTANGIBLES—net	1,055	1,040
OTHER NON-CURRENT ASSETS	175	175
TOTAL ASSETS	\$ 74,424	\$ 68,704
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Credit facility	\$ 21,657	\$ 23,855
Accounts payable	21,064	21,690
Term loan	3,000	4,500
Accrued and other current liabilities	7,505	6,570
Total current liabilities	<u>53,226</u>	<u>56,615</u>
OTHER LIABILITIES	4	—
TERM LOANS	10,467	9,094
Total liabilities	<u>63,697</u>	<u>65,709</u>
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, par value \$0.0001 per share—500,000,000 shares authorized and 17,736,649 shares outstanding at December 31, 2019; 500,000,000 shares authorized and 17,763,994 shares outstanding at March 31, 2020	2	2
Additional paid-in capital	140,477	147,777
Accumulated deficit	(129,809)	(144,839)
Accumulated other comprehensive income	57	55
Total stockholders' equity	<u>10,727</u>	<u>2,995</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 74,424	\$ 68,704

MOHAWK GROUP HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited) (in thousands)

	Three months ended March 31,	
	2019	2020
OPERATING ACTIVITIES:		
Net loss	\$ (8,389)	\$ (15,030)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	55	41
Provision for sales returns	(38)	84
Amortization of deferred financing costs and debt discounts	305	304
Stock-based compensation	1,500	7,439
Other	57	33
Changes in assets and liabilities:		
Accounts receivable	(585)	(3,140)
Inventory	(3,331)	(8,044)
Prepaid and other current assets	200	540
Accounts payable, accrued and other liabilities	(1,697)	682
Cash used in operating activities	(11,923)	(17,091)
INVESTING ACTIVITIES:		
Purchase of fixed assets	(13)	(18)
Proceeds on sale of fixed assets	3	0
Cash provided by (used in) investing activities	(10)	(18)
FINANCING ACTIVITIES:		
Taxes paid related to the net settlement upon vesting of restricted commons stock	—	(112)
Borrowings from Mid Cap credit facility	19,184	17,435
Repayments from Mid Cap credit facility	(13,664)	(15,414)
Debt issuance costs from Mid Cap credit facility	(66)	—
Debt issuance costs from Horizon term loan	(769)	—
Deferred offering costs	(44)	—
Insurance financing proceeds	—	(139)
Insurance obligation payments	—	(965)
Capital lease obligation payments	(14)	(2)
Cash provided by financing activities	4,627	803
EFFECT OF EXCHANGE RATE ON CASH	1	3
NET CHANGE IN CASH AND RESTRICTED CASH FOR PERIOD	(7,305)	(16,303)
CASH AND RESTRICTED CASH AT BEGINNING OF PERIOD	20,708	30,789
CASH AND RESTRICTED CASH AT END OF PERIOD	\$ 13,403	\$ 14,486
RECONCILIATION OF CASH AND RESTRICTED CASH		
CASH	\$ 12,974	\$ 14,050
RESTRICTED CASH—Prepaid and other assets	300	307
RESTRICTED CASH—Other non-current assets	129	129
TOTAL CASH AND RESTRICTED CASH	\$ 13,403	\$ 14,486

Non-GAAP Financial Measures and Reconciliations

In addition to disclosing financial measures prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), the press release and accompanying tables include certain non-GAAP financial measures. The non-GAAP financial measures contained herein are a supplement to the corresponding financial measures prepared in accordance with U.S. GAAP. The non-GAAP financial measures presented exclude the items described below. Management believes that adjustments for these items assist investors in making comparisons of period-to-period operating results. Furthermore, management also believes that these items are not indicative of the Company’s on-going core operating performance. These non-GAAP financial measures have certain limitations in that they do not reflect all of the costs associated with the operations of the Company’s business as determined in accordance with GAAP.

Therefore, investors should consider non-GAAP financial measures in addition to, and not as a substitute for, or as superior to, measures of financial performance prepared in accordance with GAAP. The non-GAAP financial measures presented by the Company may be different from the non-GAAP financial measures used by other companies.

The Company has presented the following non-GAAP measures to assist investors in understanding the Company’s core net operating results on an on-going basis: (i) Contribution margin; (ii) Contribution margin as a percentage of net revenue; (iii) Adjusted EBITDA; and (iv) Adjusted EBITDA as a percentage of net revenue and (v) cash burn. These non-GAAP financial measures may also assist investors in making comparisons of the Company’s core operating results with those of other companies.

As used herein, Contribution margin represents operating loss plus general and administrative expenses, research and development expenses and fixed sales and distribution expenses including stock-based compensation. As used herein, Contribution margin as a percentage of net revenue represents Contribution margin divided by net revenue. As used herein, EBITDA represents net loss plus depreciation and amortization, interest expense, net and income tax expense. As used herein, Adjusted EBITDA represents EBITDA plus stock-based compensation expense and other expense, net. As used herein, Adjusted EBITDA as a percentage of net revenue represents Adjusted EBITDA divided by net revenue. Contribution margin, EBITDA and Adjusted EBITDA do not represent and should not be considered as alternatives to loss from operations or net loss, as determined under GAAP.

We present Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue because we believe each of these measures provides an additional metric to evaluate our operations and, when considered with both our GAAP results and the reconciliation to net loss, provides useful supplemental information for investors. We use Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue, together with financial measures prepared in accordance with GAAP, such as sales and gross margins, to assess our historical and prospective operating performance, to provide meaningful comparisons of operating performance across periods, to enhance our understanding of our operating performance and to compare our performance to that of our peers and competitors.

We believe EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue are useful to investors in assessing the operating performance of our business without the effect of non-cash items, while Contribution margin and Contribution margin as a percentage of net revenue are useful to investors in assessing the operating performance of our products as they represent our operating results without the effects of fixed costs and non-cash items. Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue, should not be considered in isolation or as alternatives to net loss, loss from operations or any other measure of financial performance calculated and prescribed in accordance with GAAP. Neither EBITDA, Adjusted EBITDA nor Adjusted EBITDA as a percentage of net revenue should be considered a measure of discretionary cash available to us to invest in the growth of our business. Our Contribution margin, Contribution margin as a percentage of net revenue, EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue may not be comparable to similar titled measures in other organizations because other organizations may not calculate Contribution margin, EBITDA, Adjusted EBITDA or Adjusted EBITDA as a percentage of net revenue in the same manner as we do. Our presentation of Contribution margin and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by the expenses that are excluded from such terms or by unusual or non-recurring items.

We recognize that both EBITDA, Adjusted EBITDA and Adjusted EBITDA as a percentage of net revenue, have limitations as analytical financial measures. For example, neither EBITDA nor Adjusted EBITDA reflects:

- our capital expenditures or future requirements for capital expenditures or mergers and acquisitions;
 - the interest expense or the cash requirements necessary to service interest expense or principal payments, associated with indebtedness;
 - depreciation and amortization, which are non-cash charges, although the assets being depreciated and amortized will likely have to be replaced in the future, or any cash requirements for the replacement of assets; or
-

- changes in cash requirements for our working capital needs.

Additionally, Adjusted EBITDA excludes non-cash expense for stock-based compensation, which is and will remain a key element of our overall long-term incentive compensation package.

The following table represents a reconciliation of EBITDA and Adjusted EBITDA to net loss, which is the most directly comparable financial measure presented in accordance with GAAP (in thousands):

	Three months ended March 31,	
	2019	2020
Net loss	\$ (8,389)	\$ (15,030)
Add:		
Provision for income taxes	—	—
Interest expense, net	1,212	1,109
Depreciation and amortization	55	41
EBITDA	<u>(7,122)</u>	<u>(13,880)</u>
Other expense, net	45	25
Stock-based compensation	1,500	7,439
Adjusted EBITDA	<u>\$ (5,577)</u>	<u>\$ (6,416)</u>
Adjusted EBITDA as a percentage of net revenue	<u>(31.3)%</u>	<u>(25.0)%</u>

We also recognize that Contribution margin and Contribution margin as a percentage of net revenue have limitations as analytical financial measures. For example, Contribution margin does not reflect:

- general and administrative expenses necessary to operate our business;
- research and development expenses necessary for the development, operation and support of our software platform; or
- the fixed costs portion of our sales and distribution expenses including stock-based compensation expense

The following table provides a reconciliation of Contribution Margin to operating loss, which is the most directly comparable financial measure presented in accordance with GAAP (in thousands):

	Three months ended March 31,	
	2019	2020
Operating loss	\$ (7,132)	\$ (13,896)
Add:		
General and administrative expenses	3,366	8,003
Research and development expenses	1,163	2,281
Sales and distribution fixed expenses, including stock-based compensation expense within sales and distribution expense	1,808	2,857
Contribution margin	<u>\$ (795)</u>	<u>\$ (755)</u>
Contribution margin as a percentage of net revenue	<u>(4.5)%</u>	<u>(2.9)%</u>

We believe each of our products goes through three core phases as follows:

- i. **Launch phase:** During this phase, we leverage our technology to target opportunities identified using AIMEE. During this period of time, and due to the combination of discounts and investment in marketing, our net margin for a product could be as low as negative 35%. In general, a product may stay in the launch phase on average for 3 months.

- ii. Sustain phase: Our goal is for every product we launch to enter the sustain phase and become profitable, with a target average of positive 10% net margin (i.e. contribution margin). Over time, our products benefit from economies of scale stemming from purchasing power both with manufacturers and with fulfillment providers.
- iii. Liquidate phase: If a product does not enter the sustain phase or if the customer satisfaction of the product (i.e., ratings) are not satisfactory, then it will go to the liquidate phase and we will sell the remaining inventory.

The following table breaks out our quarterly results of operations by our product phases including our SaaS business line:

Three months ended March 31, 2020 (in thousands) (unaudited)							
	Sustain	Launch	SaaS	Liquidate/Other	Fixed Costs	Stock-based compensation expense	Total
NET REVENUE	\$ 16,904	\$ 6,154	\$ 361	\$ 2,209	\$ —	\$ —	\$ 25,628
COST OF GOODS SOLD	9,693	3,605	—	2,032	—	—	15,330
GROSS PROFIT	7,211	2,549	361	177	—	—	10,298
OPERATING EXPENSES:							
Sales and distribution	6,138	3,153	88	1,674	1,265	1,592	13,910
Research and development	—	—	—	—	1,008	1,273	2,281
General and administrative	—	—	—	—	3,429	4,574	8,003

Three months ended March 31, 2019 (in thousands) (unaudited)							
	Sustain	Launch	SaaS	Liquidate/Other	Fixed Costs	Stock-based compensation expense	Total
NET REVENUE	\$ 13,296	\$ 2,699	\$ 533	\$ 1,318	\$ —	\$ —	\$ 17,846
COST OF GOODS SOLD	8,322	1,743	—	1,110	—	—	11,175
GROSS PROFIT	4,974	956	533	208	—	—	6,671
OPERATING EXPENSES:							
Sales and distribution	5,077	1,343	166	880	1,420	388	9,274
Research and development	—	—	—	—	1,002	161	1,163
General and administrative	—	—	—	—	2,415	951	3,366

As used herein, cash burn represents the change of the net change in cash balance at each of the balance sheet periods adjusted for certain one-time items like the initial public offering and excluding changes in restricted cash. We use cash burn to provide an additional metric to evaluate our cash flows from our business operations. We believe cash burn is useful to investors to evaluate the cash operating performance of our business without the effect of certain one-time items (i.e., the initial public offering). Our method for calculating cash burn may not be used by other organizations and therefore our cash burn amount may not be directly comparable to the cash burn disclosed by other organizations. The following table provides a reconciliation of cash burn to the net change in cash and restricted cash for period, which is the most directly comparable financial measure presented in accordance with GAAP:

	Three months ended	
	March 31, 2019	March 31, 2020
Net change in cash and restricted cash for period	\$ (7,305)	\$ (16,303)
Less:		
Proceeds from initial public offering, less issuance costs	—	—
Net cash impact from mergers and acquisition activity	—	—
Changes in restricted cash	250	—
Cash burn	\$ (7,055)	\$ (16,303)

