

January 5, 2021



Cemtrex Reports Fourth Quarter and Full Year 2020 Financial Results

2020 Revenue Increases 11% to \$43.5 Million & 2020 Gross Profit Margin Increases 400 Basis Points to 44%

Brooklyn, NY, Jan. 05, 2021 (GLOBE NEWSWIRE) -- — [Cemtrex Inc.](#) (NASDAQ: CETX, CETXP, CETXW), a technology company driving innovation in Internet of Things (IoT), security, machine vision & artificial intelligence, and augmented & virtual reality, has reported its financial and operational results for the fourth quarter and year ended September 30, 2020.

Key Fourth Quarter 2020 and Subsequent Operational Highlights

- Received a \$1 million order for a security technology system through its Advanced Technology Segment for a state-of-the-art video surveillance security system, including its Valerus software solution as well as cameras and related storage hardware, for a large correctional facility in the United Kingdom.
- Vicon subsidiary released highly advanced updated Thermal Sensor models, a 360-degree surveillance solution that combines powerful high-end thermal technology with high-resolution PTZs (pan/tilt/zoom) for unparalleled perimeter protection in wide-open spaces like power stations, airports, corrections facilities, construction sites, and other secure facilities.
- Engaged international investor relations specialists MZ Group to lead a comprehensive strategic investor relations and financial communications program across all key markets.
- Subsidiary Vicon awarded a \$500,000 contract from a major Pacific Northwest school district for its V1110 series Thermal Body Temperature Measurement Camera.
- Received a \$500,000 order to upgrade a security technology system through the Advanced Technology Segment for a large Tennessee based corrections facility.
- Completed acquisition of training simulation technology company Virtual Driver Interactive (VDI) to enhance the Company's Augmented & Virtual Reality Growth Segment and VR Training product line.
- Subsidiary VDI now offering the Driving EssentialsXE program on the newly released Sony PS5 and Microsoft Xbox Series X platforms, in addition to their full line of simulation training products for schools and public safety organizations.
- Made a strategic investment into MasterpieceVR, the developer of a professional desktop and VR application suite that offers 3D content creation tools, primarily for virtual reality.
- Unveiled the SmartDesk Connect, an advanced workstation that includes 4K UHD monitors, a sit-stand desk, ergonomic tabletop, with built-in wireless phone charger, all powered by a user's laptop when connected to the SmartDesk.

Full Year 2020 Operational Highlights

- WordPress VIP, the leading provider of enterprise WordPress, added CemtrexLabs to its prestigious Featured Agency Partner program, one of only 30 partners in this prestigious group and the first agency partner with full stack virtual and augmented reality (VR, AR & MR) capabilities.
- Acquired two properties the Company had been leasing for its industrial segment business located in the York, PA area including a 48,000 sq ft and 25,000 sq ft facility, used for office, manufacturing, and warehousing needs.
- Received over \$300,000 in new orders for the development of virtual reality (VR) and augmented reality (AR) applications from 3 different customers, representing a 500% increase in the quarter from the prior year.
- Received orders totaling over \$2 million in its Advanced Technology segment for several security surveillance systems for government and commercial buildings including correctional facilities, including software development services for web, mobile, enterprise, and virtual reality applications.
- Granted first patent for Cemtrex's revolutionary and groundbreaking IoT product, the SmartDesk, which increases productivity and modernizes the personal workspace.
- Vicon subsidiary released new Thermal Body Temperature Measurement Camera, the V1100B-THM-TEMP, designed to help organizations of all types to minimize the risk of reopening their facilities during the COVID-19 global pandemic.
- Closed two registered direct offerings priced at-the-market of \$5.5 million and \$5.4 million.
- Vicon subsidiary released advanced edge-based analytics for select camera lines, including the new V980 series which can proactively alert security operators to critical events such as theft, suspicious objects, crowds gathering and more.

Management Commentary

Cemtrex's Chairman and CEO, Saagar Govil, commented on the results: "2020 has been a milestone year for our company as we continued to innovate, grow and expand Cemtrex. Despite the challenges of a global pandemic, we increased revenues by 11% for the year, a testament to our team's hard work and our focus on product development and strategic acquisition opportunities. We anticipate top line growth to continue in the coming year as our market returns to normal and customers reopen for business and resume purchasing.

"In our 2020 fiscal first quarter we made significant progress in restructuring our businesses for the future, improving both EBITDA and gross margins, and saw a return to generating an operating profit. In the second quarter, we continued to see improvement in our businesses despite the short-term effects of COVID-19. We remained focused on executing our development roadmap of high tech products in IoT, AR & VR, as well as in Artificial Intelligence and Machine Vision. We received new orders across all our business segments, including a 500% increase in new orders for development of AR/VR applications and \$2 million in new orders in our Advanced Technologies segment.

"During our third quarter we received a major cash infusion of over \$10 million from institutional investors which bolstered the balance sheet and fueled the Company for growth. With the financings completed, we have substantial cash to meet and accelerate the release of several exciting and innovative products we plan to deliver over the next twelve months.

"Highlights from the fourth quarter included new contracts and upgraded products under our security technology brand, Vicon. This included a first of its kind order of its Thermal Body

Temperature Measurement Cameras to assist in the detection and mitigation of COVID-19 risk at a major school district in the Pacific Northwest. Vicon also began offering an upgraded Thermal Sensor model for clients like airports and correctional facilities looking for cost-effective and comprehensive solutions to enhance their perimeter surveillance systems. During the fourth quarter we also expanded our commitment to the capital markets and to shareholders through enhanced investor relations initiatives with our new partner MZ Group.

“More recently, in our first quarter of 2021, we announced the next generation SmartDesk, the SmartDesk Connect. The product is an evolution of original patented SmartDesk, providing many of the same features but also allowing users to use their own laptop instead of a built-in PC. Finally, our strategic acquisitions efforts paid off with the completion of our acquisition of Virtual Driver Interactive, a training simulation technology company, to enhance our Augmented & Virtual Reality growth segment & VR Training product line. Our investment in MasterpieceVR further complemented this segment, allowing us to capture more upside as the VR market continues to accelerate.

“Throughout the year, we have striven to drive forward our business, achieving several key milestones in our internal roadmap with a focus on innovation and product development. 2020 was marked by our significant achievements across business segments, and our fortified our balance sheet. This is an exciting time for Cemtrex, and I believe we are well positioned to create sustainable value for our shareholders,” concluded Govil.

Fourth Quarter and Full Year 2020 Financial Results

Revenue for the full year of 2020 totaled \$43.5 million, compared to revenue of \$39.3 million for the full year of 2019, an 11% increase year over year. Revenues for the fourth quarter of 2020 were \$10.7 million, compared to \$10.9 million in the fourth quarter of 2019. The increase in revenues for the year were due to sales increases in the Advanced Technology Segment, with segment revenues for the years ended September 30, 2020 and 2019 of \$25.8 million and \$19.3 million respectively, an increase of 34%. Industrial Services segment revenues for the full year 2020 decreased by 11%, to \$17.8 million, primarily due to the decrease in demand for services due to the COVID-19 crisis.

Gross profit for the full year of 2020 was \$19.4 million, or 44% of revenues, of which the fourth quarter contributed \$5.4 million. The Company's 2020 gross margin increase was a result of the sale of products and services with higher profit margins.

Total operating expenses for 2020 were \$23.4 million, of which \$6.1 million were incurred in the fourth quarter. Total operating expenses for 2019 totaled \$23.0 million. The increase in total operating expenses was primarily driven by increases in personnel costs, insurance and research and development, offset by savings measures enacted during the fiscal year.

Operating activities for continuing operations used \$2.2 million for the year ended September 30, 2020 compared to using \$3.6 million of cash for the year ended September 30, 2019.

The Adjusted EBITDA loss decreased by 87%, with \$1.063 million loss in the year ended September 30, 2020, compared to \$8.035 million loss for the year ended September 30, 2019. For the fourth quarter the Adjusted EBITDA increased by 108%, with a positive Adjusted EBITDA of \$311 thousand in 2020, compared to a negative Adjusted EBITDA of

\$3.990 million for the same period in 2019. A reconciliation table of the adjusted EBITDA is provided below.

Net loss for the full year of 2020 was \$13.1 million, as compared to a net loss of \$24.3 million in 2019. Net loss in the fourth quarter of 2020 totaled \$4.4 million compared to a net loss of \$16.3 million in the fourth quarter of 2019.

Cash and cash equivalents totaled \$19.7 million at September 30, 2020, as compared to \$12.9 million at June 30, 2020 and \$1.8 million at September 30, 2019.

About Cemtrex

Cemtrex, Inc. ([CETX](#)) is a leading multi-industry technology company that is driving innovation in markets such as Internet of Things (IoT), Augmented and Virtual Reality (AR & VR), and Artificial Intelligence and Computer Vision (AI & CV) in a wide range of sectors, including consumer products, industrial manufacturing, digital applications, and intelligent security & surveillance systems.

www.cemtrex.com.

Non-GAAP Adjusted EBITDA Reconciliation Table

Following is a reconciliation of income from continuing operations attributable to the Company for the three months and year ended September 30, 2020 as presented in accordance with United States generally accepted accounting principles (GAAP) to EBITDA.

In Thousands	Three Months Ended September 30,		Year Ended September 30, 2020	
	2020	2019	2020	2019
Net loss from continuing operations (GAAP measure)	\$ 2,387	\$ 5,665	\$ 8,894	\$ 11,303
Non-GAAP adjustments:				
Interest expense paid in equity shares	96	302	2,859	1,590
Income Tax Benefits	1,877	619	2,074	(1,336)
Depreciation and amortization	725	754	2,898	3,014
Adjusted Net Income/ (Loss)	\$ 311	\$ (3,990)	\$ (1,063)	\$ (8,035)

Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements relating to the closing of the offering, gross proceeds from the offering, our new product offerings, expected use of proceeds, or any proposed fundraising activities. These forward-looking statements are based on management’s current expectations and are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in or implied by such forward looking statements. Statements made herein are as of the date of this press release and should not be relied upon as of any subsequent date. These risks and

uncertainties are discussed under the heading “Risk Factors” contained in our Form 10-K filed with the Securities and Exchange Commission. All information in this press release is as of the date of the release and we undertake no duty to update this information unless required by law.

Cemtrex Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

Assets	September 30, 2020	September 30, 2019
Current assets		
Cash and equivalents	\$ 19,490,061	\$ 1,769,994
Restricted cash	1,582,798	1,088,091
Short-term investments	887,746	412,730
Accounts receivables, net	6,686,797	6,458,984
Accounts receivables - related party	1,432,209	771,519
Notes receivable - short-term	-	1,713,371
Inventory –net of allowance for inventory obsolescence	6,793,806	5,207,155
Prepaid expenses and other assets	1,188,317	1,455,765
Total current assets	<u>38,061,734</u>	<u>18,877,609</u>
Property and equipment, net	9,558,936	16,776,552
Right-of-use assets	2,728,380	-
Assets held for sale	8,323,321	-
Goodwill	4,370,894	4,370,894
Notes receivable - long-term	-	1,586,918
Deferred tax asset	-	2,282,867
Other	744,207	497,857
Total Assets	<u>\$ 63,787,472</u>	<u>\$ 44,392,697</u>
Liabilities & Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 2,857,817	\$ 4,236,945
Current portion of long-term liabilities	7,034,510	6,817,534
Lease liabilities - short-term	721,036	22,718
Deposits from customers	29,660	33,074
Accrued expenses	2,392,487	2,673,646
Deferred revenue	1,651,784	1,433,803
Accrued income taxes	89,318	419,541
Total current liabilities	<u>14,776,612</u>	<u>15,637,261</u>
Long-term liabilities		

Long-term liabilities

Loans payable to bank, net of current portion	1,871,201	2,240,526
Long-term lease liabilities, net of current portion	2,027,406	20,061
Notes payable, net of current portion	6,029,999	2,817,661
Mortgage payable, net of current portion	2,355,542	-
Other long-term liabilities	1,063,733	1,221,549
Series 1 preferred stock dividends payable	1,081,690	-
Paycheck Protection Program Loans	2,169,437	-
Deferred revenue - long-term	467,329	489,535
Total long-term liabilities	<u>17,066,337</u>	<u>6,789,332</u>
Total liabilities	<u>31,842,949</u>	<u>22,426,593</u>
Commitments and contingencies	-	-
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized,		
Series 1, 3,000,000 shares authorized, 2,156,784 shares issued and outstanding as of September 30, 2020 and 2,110,718 shares issued and outstanding as of September 30, 2019 (liquidation value of \$10 per share)	2,157	2,111
Series A, 1,000,000 shares authorized, issued and outstanding at September 30, 2020 and September 30, 2019	1,000	1,000
Series C, 100,000 shares authorized, issued and outstanding at September 30, 2020	100	-
Common stock, \$0.001 par value, 40,000,000 shares authorized, 17,622,539 shares issued and outstanding at September 30, 2020 and 3,962,790 shares issued and outstanding at September 30, 2019	17,623	3,963
Additional paid-in capital	63,313,336	40,344,837
Accumulated deficit	(33,172,690)	(20,067,685)
Treasury stock at cost	(148,291)	-
Accumulated other comprehensive income	853,643	796,004
Cemtrex stockholders' equity	<u>30,866,878</u>	<u>21,080,230</u>
Non-controlling interest	1,077,645	885,874
Total liabilities and stockholders' equity	\$ 63,787,472	\$ 44,392,697

Cemtrex Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

For the year ended	
September 30,	September 30,
2020	2019
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Revenues	\$ 43,518,384	\$ 39,265,041
Cost of revenues	24,153,937	23,702,367
Gross profit	<u>19,364,447</u>	<u>15,562,674</u>
Operating expenses		
General and administrative	21,570,666	21,528,145
Research and development	1,827,286	1,481,879
Total operating expenses	<u>23,397,952</u>	<u>23,010,024</u>
Operating loss	<u>(4,033,505)</u>	<u>(7,447,350)</u>
Other income (expense)		
Other Income	1,821,029	(62,705)
Loss on equity interests	-	(342,776)
Interest expense	(4,607,453)	(4,785,506)
Total other expense, net	<u>(2,786,424)</u>	<u>(5,190,987)</u>
Net loss before income taxes	<u>(6,819,929)</u>	<u>(12,638,337)</u>
Income tax benefit/(expense)	<u>(2,073,835)</u>	<u>1,335,584</u>
Loss from continuing operations	<u>(8,893,764)</u>	<u>(11,302,753)</u>
Loss from discontinued operations, net of tax	<u>(812,895)</u>	<u>(10,559,963)</u>
Net loss	(9,706,659)	(21,862,716)
Less income in noncontrolling interest	227,116	502,225
Net loss	\$ (9,933,775)	\$ (22,364,941)
Preferred dividends	(3,171,230)	(1,965,500)
Net loss available to Cemtrex, Inc. shareholders	\$ (13,105,005)	\$ (24,330,441)
Other comprehensive income		
Foreign currency translation gain	57,639	1,624,253
Other comprehensive income attributable to noncontrolling interest	(35,345)	(344,952)
Comprehensive income	<u>22,294</u>	<u>1,279,301</u>
Comprehensive loss	\$ (13,082,711)	\$ (23,051,140)
Loss Per Share-Basic		
Continuing Operations	\$ (1.28)	\$ (6.07)
Discontinued Operations	\$ (0.08)	\$ (4.66)
Loss Per Share-Diluted		
Continuing Operations	\$ (1.28)	\$ (6.07)

Discontinued Operations	\$	(0.08)	\$	(4.66)
Weighted Average Number of Shares-Basic		9,611,516		2,267,501
Weighted Average Number of Shares-Diluted		9,611,516		2,267,501

Cemtrex Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Cash Flows from Operating Activities	For the year ended September 30,	
	2020	2019
Net loss	\$ (9,706,659)	\$ (21,862,716)
Net loss from discontinued operations	(812,895)	(10,559,963)
Net loss from continuing operations	(8,893,764)	(11,302,753)
Adjustments to reconcile net loss to net cash provided/(used) by operating activities:		
Depreciation and amortization	2,898,399	3,013,986
Gain/(loss) on disposal of property & equipment	37,910	471,019
Amortization of right-of-use assets	816,550	-
Change in allowance for inventory obsolescence	636,981	-
Change in allowance for doubtful accounts	(265,203)	-
	944,778	108,222
Amortization of original issue discounts on notes payable		
Share-based compensation	191,416	622,232
Interest expense paid in equity shares	2,859,125	1,590,374
Income tax expense/(benefit)	2,073,835	(1,335,584)
Loss on equity interests	-	342,776
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:		
Accounts receivable	37,390	3,082,635
Accounts receivable - related party	(660,690)	(61,799)
Inventory	(2,223,632)	1,341,569
Prepaid expenses and other current assets	267,448	(240,732)
Other assets	(246,350)	(27,418)
Other liabilities	(157,816)	1,221,549
Accounts payable	(846,340)	(2,114,250)
Operating lease liabilities	(816,549)	-
Deposits from customers	(3,414)	(17,545)
Accrued expenses	(4,820)	(493,921)
Deferred revenue	195,775	228,024
Income taxes payable	(121,191)	-

Net cash used by operating activities - continuing operations	(3,280,162)	(3,571,616)
Net cash provided/(used) by operating activities - discontinued operations	(812,895)	7,507,090
Net cash provided/(used) by operating activities	(4,093,057)	3,935,474
Cash Flows from Investing Activities		
Net change in self-insured benefit deposits	(494,707)	(1,659,480)
Purchase of property and equipment	(1,566,014)	14,000
Purchase of marketable securities	(475,016)	(398,291)
Payments received on notes receivable	3,300,289	
Net cash provided/(used) by investing activities - continuing operations	764,552	(2,043,771)
Net cash provided by investing activities - discontinued operations	-	8,883,541
Net cash provided/(used) by investing activities	764,552	6,839,770
Cash Flows from Financing Activities		
Proceeds from notes payable	8,485,000	2,595,000
Payments on notes payable	(851,640)	(414,859)
Issuance of notes receivable	-	(3,300,289)
Proceeds on bank loans	3,831,100	-
Payments on bank loans	(778,090)	(1,440,535)
Proceeds from securities purchase agreements	12,462,648	-
Expenses on securities purchase agreements	(840,728)	-
Proceeds from at-the-market offerings	-	957,784
Expenses on at-the-market offerings	-	(41,438)
Proceeds from the issuance of Series B Preferred Stock	-	500,000
Expenses from the issuance of Series B Preferred Stock	-	(25,000)
Settlement of Series B Preferred Stock in cash	-	(273,092)
Revolving line of credit	(425,812)	(925,124)
Purchases of treasury stock	(338,775)	-
Payments on capital lease liabilities	(22,718)	(24,286)
Net cash provided/used by financing activities - continuing operations	21,520,985	(2,391,839)
Net cash used by financing activities - discontinued operations	-	(9,465,508)
Net cash provided/(used) by financing activities	21,520,985	(11,857,347)
Effect of currency translation	22,294	1,624,253
Net increase in cash, cash equivalents, and restricted cash	18,192,480	(1,082,103)
Cash, cash equivalents, and restricted cash at beginning of period	2,858,085	2,315,935

Cash, cash equivalents, and restricted cash at end of period	<u>\$ 21,072,859</u>	<u>\$ 2,858,085</u>
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**Balance Sheet Accounts Included in Cash, Cash
Equivalents, and Restricted Cash**

Cash and equivalents	\$ 19,490,061	\$ 1,769,994
Restricted cash	<u>1,582,798</u>	<u>1,088,091</u>
Total cash, cash equivalents, and restricted cash	\$ 21,072,859	\$ 2,858,085

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Source: Cemtrex Inc.