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Cemtrex Reports Third Quarter 2021 Financial Results

Third Quarter Revenues Increase 22% to \$10.3 Million & Net Income Rises to \$1.1 million

Brooklyn, NY, Aug. 16, 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 third quarter ended June 30, 2021.

Third Quarter 2021 Financial Results

Revenue for the three months ended June 30, 2021, and 2020 was \$10.3 million and \$8.4 million, respectively, an increase of 22%. This increase is mainly due to an improvement in economic conditions from the impact of the COVID-19 crisis during the same period last year. Revenue for the nine months ended June 30, 2021, and 2020 was \$28.4 million and \$32.8, respectively, a decrease of 13%. The Advanced Technologies segment revenues for the three months ended June 30, 2021, increased by 17% to \$5.8 million, and the Industrial Services segment revenues for quarter increased by 29%, to \$4.5 million.

Gross Profit for the third quarter of 2021 was \$4.1 million, or 40% of revenues as compared to gross profit of \$3.3 million, or 39% of revenues for the year ago period. Gross profit increased due to higher sales and varied from product to product and from customer to customer.

Total operating expenses for three months ended June 30, 2021, were \$6.4 million, compared to \$5.7 million in the prior year's quarter.

Operating activities for continuing operations used \$6.2 million for the nine months ended June 30, 2021 compared to using \$3.4 million of cash for the nine months ended June 30, 2020.

Net income for the quarter ended June 30, 2021 was approximately \$1.1 million, as compared to a net loss of \$4.2 million in 2020. Net income increased in the third quarter as compared to the same period last year primarily due to overall economic improvement from the impact of the COVID-19 crisis during the same period last year and the result of PPP Loan forgiveness.

Cash and cash equivalents totaled \$12.9 million at June 30, 2021, as compared to \$15.9 million at December 31, 2020 and \$19.5 million at September 30, 2020.

Management Commentary

Cemtrex's Chairman and CEO, Saagar Govil, commented on the results: "In the third quarter

of 2021 we continued to see a renewed improvement in our segments, with revenue for the quarter up 12% sequentially from the second quarter. We remain optimistic that our revenue will continue to trend upward as the economic uncertainty due to the pandemic recedes.”

“Throughout the year we have striven to remain at the forefront of innovation by continuing to invest in the development of our roadmap including Advanced Technologies Segment’s proprietary technology, including Virtual Reality solutions, SmartDesk, and Artificial Intelligence (AI) based, next generation solutions associated with security and surveillance systems software. While we experienced some delays due to the pandemic, we believe that as we continue to roll out our exciting new products and solutions over the next year that our outlook remains positive.”

“Despite the challenges of the pandemic, we believe this focus on the evolution of our core technologies, and a commitment to driving top line growth, has put us in a strong position as our market returns to normal and customers reopen for business and resume purchasing.”

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.

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 Condensed Consolidated Balance Sheets

	(UNAUDITED)	(Restated)
	June 30,	September
Assets	2021	30,
		2020
Current assets		
Cash and equivalents	\$ 12,879,278	\$ 19,490,061

Restricted cash	1,690,873	1,582,798
Short-term investments	452,175	887,746
Trade receivables, net	5,234,216	6,686,797
Trade receivables - related party	1,505,789	1,432,209
Inventory –net of allowance for inventory obsolescence	8,669,397	6,793,806
Prepaid expenses and other assets	2,164,367	1,188,317
Total current assets	32,596,095	38,061,734
Property and equipment, net	7,236,755	6,961,751
Right-of-use assets	3,098,523	2,728,380
Assets held for sale	8,323,321	8,323,321
Goodwill	5,886,096	4,370,894
Other	1,094,429	744,207
Total Assets	\$ 58,235,219	\$ 61,190,287

Liabilities & Stockholders' Equity (Deficit)

Current liabilities		
Accounts payable	\$ 2,888,144	\$ 2,857,817
Short-term liabilities	6,381,047	7,034,510
Lease liabilities - short-term	840,016	721,036
Deposits from customers	39,227	29,660
Accrued expenses	2,476,812	2,392,487
Deferred revenue	1,794,187	1,651,784
Accrued income taxes	331	89,318
Total current liabilities	14,419,764	14,776,612
Long-term liabilities		
Loans payable to bank	1,046,504	1,871,201
Long-term lease liabilities	2,261,148	2,027,406
Notes payable	3,079,743	6,029,999
Mortgage payable	2,282,409	2,355,542
Other long-term liabilities	1,078,752	1,063,733
Paycheck Protection Program Loans	2,871,161	2,169,437
Deferred Revenue - long-term	449,563	467,329
Total long-term liabilities	13,069,280	15,984,647
Total liabilities	27,489,044	30,761,259
Commitments and contingencies	-	-
Shareholders' equity		

Preferred stock , \$0.001 par value, 10,000,000 shares authorized,		
Series 1, 3,000,000 shares authorized, 1,885,151 shares issued and outstanding as of June 30, 2021, and 2,156,784 shares issued and outstanding as of September 30, 2020 (liquidation value of \$10 per share)	1,885	2,157
Series A, 1,000,000 shares authorized, zero shares issued and outstanding at June 30, 2021, and 1,000,000 shares issued and outstanding at September 30, 2020	-	1,000
Series C, 100,000 shares authorized, 50,000 shares issued and outstanding at June 30, 2021, and 100,000 shares issued and outstanding at September 30, 2020	50	100
Common stock, \$0.001 par value, 50,000,000 shares authorized, 18,711,463 shares issued and outstanding at June 30, 2021, and 17,622,539 shares issued and outstanding at September 30, 2020	18,711	17,623
Additional paid-in capital	58,846,576	60,221,766
Retained earnings (accumulated deficit)	(30,660,550)	(32,520,084)
Treasury stock at cost	(148,291)	(148,291)
Accumulated other comprehensive income (loss)	1,624,673	1,777,112
Total Cemtrex stockholders' equity	<u>29,683,054</u>	<u>29,351,383</u>
Non-controlling interest	1,063,121	1,077,645
Total liabilities and shareholders' equity	\$ 58,235,219	\$ 61,190,287

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income/(Loss)

	For the three months ended		For the nine months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenues	\$10,326,431	\$ 8,440,867	\$ 28,422,892	\$32,774,797
Cost of revenues	<u>6,198,715</u>	<u>5,161,015</u>	<u>16,360,822</u>	<u>18,800,355</u>
Gross profit	<u>4,127,716</u>	<u>3,279,852</u>	<u>12,062,070</u>	<u>13,974,442</u>

Operating expenses

General and administrative	5,670,019	5,347,718	16,337,200	15,380,199
Research and development	757,966	331,936	2,033,688	1,113,455
Total operating expenses	6,427,985	5,679,654	18,370,888	16,493,654
Operating income/(loss)	(2,300,269)	(2,399,802)	(6,308,818)	(2,519,212)
Other income/(expense)				
Other income/(expense)	3,901,658	158,134	6,532,590	830,251
Settlement Agreement				
– Related Party	-	-	3,674,165	-
Interest Expense	(433,009)	(1,982,101)	(1,891,026)	(3,812,921)
Total other income/(expense), net	3,468,649	(1,823,967)	8,315,729	(2,982,670)
Net loss before income taxes	1,168,380	(4,223,769)	2,006,911	(5,501,882)
Income tax benefit/(expense)	(40,759)	(7,658)	(168,190)	(197,201)
Net income/(loss)	\$ 1,127,621	\$ (4,231,427)	\$ 1,838,721	\$ (5,699,083)
Less income in noncontrolling interest	29,608	(35,751)	(20,813)	151,312
Net income/(loss) attributable to Cemtrex, Inc. shareholders	\$ 1,098,013	\$ (4,195,676)	\$ 1,859,534	\$ (5,850,395)
Net income/(loss)	\$ 1,127,621	\$ (4,231,427)	\$ 1,838,721	\$ (5,699,083)
Other comprehensive income/(loss)				
Foreign currency translation gain/(loss)	(193,554)	154,443	(234,045)	161,460
Defined benefit plan actuarial gain/(loss)	-	-	87,895	-
Comprehensive income/(loss)	934,067	(4,076,984)	1,692,571	(5,537,623)
Less comprehensive income/(loss) attributable to noncontrolling interest	(35,731)	41,266	14,524	(118,623)
Comprehensive income/(loss) attributable to Cemtrex, Inc. shareholders	\$ 969,798	\$ (4,118,250)	\$ 1,678,047	\$ (5,419,000)

Income/(loss) Per Share-Basic	\$	0.06	\$	(0.38)	\$	0.10	\$	(0.82)
Income/(loss) Per Share-Diluted	\$	0.06	\$	(0.38)	\$	0.10	\$	(0.82)
Weighted Average Number of Shares-Basic		18,711,463		10,933,926		18,368,274		7,161,785
Weighted Average Number of Shares-Diluted		18,711,463		10,933,926		18,368,274		7,161,785

**Condensed Consolidated Statements of Cash Flows
(Unaudited/Restated)**

Cash Flows from Operating Activities	For the nine months ended June 30,	
	2021	2020
	(unaudited)	(restated)
Net income/(loss)	\$ 1,838,721	\$ (5,699,083)
Adjustments to reconcile net loss to net cash provided/(used) by operating activities:		
Depreciation and amortization	972,186	1,343,207
Gain on disposal of property and equipment	18,583	457
Amortization of right-of-use assets	653,175	352,691
Change in allowance for doubtful accounts	(161,101)	126
Share-based compensation	110,904	167,312
Income tax expense/ (benefit)	168,190	(197,201)
Interest expense paid in equity shares	818,348	2,505,924
Accrued interest on notes payable	64,748	308,748
Amortization of original issue discounts on notes payable	575,000	757,278
Gain on marketable securities	(2,407,841)	(607,103)
Settlement Agreement - Related Party	(3,674,165)	-
Discharge of Paycheck Protection Program Loans	(3,349,700)	-
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:		
Accounts receivable	1,613,682	1,654,383
Accounts receivable - related party	(78,594)	5,510
Inventory	(1,875,591)	(1,384,453)
Prepaid expenses and other current assets	(976,050)	(514,580)

Other assets	149,778	(1,017,337)
Other liabilities	15,019	(117,667)
Accounts payable	30,327	(1,205,851)
Operating lease liabilities	(650,535)	(296,892)
Deposits from customers	9,567	2,003
Accrued expenses	(78,851)	383,230
Deferred revenue	124,637	(99,354)
Income taxes payable	(88,987)	272,925
Net cash used by operating activities	(6,178,550)	(3,385,727)

Cash Flows from Investing Activities

Purchase of property and equipment	(1,113,658)	(4,541,537)
Investment in Virtual Driver Interactive	(1,075,428)	-
Investment in MasterpieceVR	(500,000)	-
Investment in related party	-	(500,000)
Proceeds from sale of marketable securities	9,134,159	22,720,132
Purchase of marketable securities	(6,290,747)	(23,479,038)
Purchases of treasury stock	-	(190,483)
Net cash used by investing activities	154,326	(5,990,926)

Cash Flows from Financing Activities

Proceeds from notes payable	-	4,485,000
Payments on notes payable	(2,145,257)	(726,640)
Proceeds on bank loans	-	5,947,101
Payments on bank loans	(957,186)	(224,196)
Proceeds from Paycheck Protection Program Loans	2,942,285	-
Proceeds from securities purchase agreements	-	12,462,648
Payments on capital lease liabilities	(20,061)	(13,838)
Expenses on securities purchase agreements	-	(840,728)
Revolving line of credit	-	(425,812)
Net cash provided/(used) by financing activities	(180,219)	20,663,535

Effect of currency translation	(298,265)	128,771
Net increase in cash, cash equivalents, and restricted cash	(6,204,443)	11,286,882
Cash, cash equivalents, and restricted cash at beginning of period	21,072,859	2,858,085
Cash, cash equivalents, and restricted cash at end of period	\$14,570,151	\$ 14,273,738

Balance Sheet Accounts Included in Cash, Cash Equivalents, and Restricted Cash

Cash and equivalents	\$12,879,278	\$ 12,939,493
Restricted cash	1,690,873	1,334,245
Total cash, cash equivalents, and restricted cash	\$14,570,151	\$ 14,273,738
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 432,930	\$ 240,971
Cash paid during the period for income taxes	\$ 88,987	\$ 75,724
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Investment in Virtual Driver Interactive	\$ 439,774	\$ -
Stock issued to pay for products and/or services	\$ -	\$ 428,538
Stock issued to pay notes payable	\$ 2,187,837	\$ 6,933,924

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Source: Centrex Inc.