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Cemtrex Reports First Quarter 2022 Financial Results

First Quarter Revenues Increase 21% to \$10.7 Million

Brooklyn, NY, Feb. 22, 2022 (GLOBE NEWSWIRE) -- - [Cemtrex Inc.](#) (NASDAQ: CETX, CETXP), 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 first quarter ended December 31, 2021.

Key First Quarter 2022 and Subsequent Highlights

- Revenue increased 21% to \$10.7 million compared to \$8.8 million in Q1'21.
- Regained compliance with Nasdaq Audit Committee composition requirements.
- Appointed independent directors Chris Wagner, a technology expert in the video internet streaming industry, and Manpreet Singh, CFA, founder and Chief Investment Officer of Singh Capital Partners, to the Board of Directors.
- Initiated a process with the Company's board of directors to evaluate potential strategic alternatives to maximize shareholder value.
 - A full range of strategic, operational and financial alternatives including the sale of one or more of the Company's business units.
- Second investment of \$0.5 million into Masterpiece Studio (formerly MasterPieceVR), a developer of a professional desktop and VR application suite that offers 3D content creation tools, primarily for virtual reality and the Metaverse.
- onXRP.com, a leading technology and content platform which provides user-driven innovation to the XRP Ledger (XRPL), and CXR, a subsidiary of Cemtrex, partnered to create a set of modular extensions that will help further develop the onXRP ecosystem.
- Launched the SmartDesk Connect D, a new version that extends compatibility to more devices including most mid- to high-end laptops, Apple® M1 products and select Microsoft Surface® devices.
- Bravo Strong has continued with the development of first VR game and expects a beta release of StarForceVR in Oculus Quest App Lab in CY22 Q1.
- Presented at the Imperial Capital 2021 Security Investor Conference.

Management Commentary

Cemtrex Chairman and CEO, Saagar Govil, commented on the results: "Cemtrex has engaged in a series of acquisitions and investments over the last several years, executing on an aggressive growth strategy focused on building a leading multi-industry technology company. With a strong cash position and consecutive year-over-year revenue growth for our core business segments (industrial and security), management believes the current

valuation does not reflect the sum of the parts for our Internet of Things (IoT), machine vision & artificial intelligence, and augmented & virtual reality segments. In conjunction with our new board appointments, Cemtrex has commenced a strategic review of our business units to determine a more focused approach and to unlock shareholder value through the potential sale of one of more of our business units. We expect to update shareholders more on this initiative in the coming months.”

“The first quarter of 2022 was highlighted by the development of key partnerships with technology companies in blockchain and VR and improving year over year revenues. We remained focused on our top line growth with investments in our sales and marketing program, ongoing research and development, and advancing our technology partnerships.”

“We continue to invest in opportunities that will rapidly expand our breadth as a company, with a recent follow-on investment in Masterpiece Studio, a developer of the most intuitive and powerful software for content creation using virtual reality. The ability to create 3D content easily and quickly is rapidly gaining in importance with the rise of the far more interactive and collaborative metaverse, and we are looking forward to further collaboration with the team.”

“Our recent partnership with OnXRP to create a set of modular extensions will help further develop XRPL NFT-supporting technology that strives to be the first of its kind on this Blockchain. With increasing market adoption around crypto economies - the metaverse, blockchain and NFTs are rapidly becoming the new internet, and these partnerships will enable us to be stay at the forefront of their evolution.”

“During the quarter we released an improved SmartDesk Connect product that allows users to use their own laptop instead of a built-in PC. As supply chain and delivery issues improve, we expect this advanced version will continue to resonate with customers seeking an all-in-one multiple monitor display and motorized sit-stand desk, powered by just a laptop.”

First Quarter 2022 Financial Results

Revenue for the three months ended December 31, 2021, and 2020 was \$10.7 million and \$8.8 million, respectively, an increase of 21%. 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. The Advanced Technologies segment revenues for the three months ended December 31, 2021, increased by 20% to \$5.6 million, and the Industrial Services segment revenues for quarter increased by 21%, to \$5.1 million.

Gross Profit for the first quarter of 2022 was \$3.9 million, or 36% of revenues as compared to gross profit of \$4.0 million, or 45% of revenues for the year ago period. Gross profit decreased due to increased cost of revenues and varied from product to product and from customer to customer.

Total operating expenses for three months ended December 31, 2021, were \$7.9 million, compared to \$6.1 million in the prior year’s quarter.

Operating activities for continuing operations used \$4.4 million for the three months ended December 31, 2021 compared to using \$1.1 million of cash for the three months ended December 31, 2020.

Net loss for the quarter ended December 31, 2021 was \$4.5 million, as compared to a net loss of \$1.7 million in 2020. Net loss increased in the first quarter as compared to the same period last year primarily due to costs of revenues and operating expenses.

Cash and cash equivalents totaled \$10.3 million at December 31, 2021, as compared to \$15.4 million at September 30, 2021.

About Centrex

Centrex, 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.centrex.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 an offering, gross proceeds from an 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.

Centrex, Inc. and Subsidiaries Condensed Consolidated Balance Sheets (Unaudited)

	(Unaudited)	
	December 31, 2021	September 30, 2021
Assets		
Current assets		
Cash and equivalents	\$ 10,338,978	\$ 15,426,976
Restricted cash	1,633,452	1,759,347
Short-term investments	14,960	14,981
Trade receivables, net	5,547,749	7,810,896
Trade receivables - related party	1,492,321	1,487,155
Inventory –net of allowance for inventory obsolescence	7,085,698	5,657,287
Prepaid expenses and other assets	2,727,511	2,585,652

Total current assets	28,840,669	34,742,294
Property and equipment, net	6,736,871	6,738,944
Right-of-use assets	2,725,616	2,940,127
Goodwill	7,821,283	7,821,283
Other	697,624	697,240
Total Assets	\$ 46,822,063	\$ 52,939,888

Liabilities & Stockholders' Equity (Deficit)

Current liabilities		
Accounts payable	\$ 3,512,267	\$ 4,235,002
Short-term liabilities	7,591,892	9,977,972
Lease liabilities - short-term	789,346	830,791
Deposits from customers	722,690	62,970
Accrued expenses	1,478,746	2,094,303
Deferred revenue	1,621,244	2,004,170
Accrued income taxes	323,371	448,194
Total current liabilities	16,039,556	19,653,402
Long-term liabilities		
Loans payable to bank	486,262	767,279
Long-term lease liabilities	1,936,270	2,017,408
Notes payable	2,400,000	2,350,000
Mortgage payable	2,232,812	2,257,785
Other long-term liabilities	750,905	839,171
Paycheck Protection Program Loans	60,700	1,032,200
Deferred Revenue - long-term	497,771	467,967
Total long-term liabilities	8,364,720	9,731,810
Total liabilities	24,404,276	29,385,212
Commitments and contingencies	-	-
Shareholders' equity		
Preferred stock , \$0.001 par value, 10,000,000 shares authorized,		
Series 1, 3,000,000 shares authorized, 1,979,753 shares issued and outstanding as of December 31, 2021 and 1,885,151 shares issued and outstanding as of September 30, 2020 (liquidation value of \$10 per share)	1,980	1,885

Series C, 100,000 shares authorized, 50,000 shares issued and outstanding at December 31, 2021 and September 30, 2021	50	50
Common stock, \$0.001 par value, 50,000,000 shares authorized, 23,673,210 shares issued and outstanding at September 30, 2021 and 20,782,194 shares issued and outstanding at September 30, 2021	23,673	20,782
Additional paid-in capital	65,058,290	61,727,834
Retained earnings (accumulated deficit)	(46,386,013)	(41,908,062)
Treasury stock at cost	(148,291)	(148,291)
Accumulated other comprehensive income (loss)	2,955,944	2,896,452
Total Centrex stockholders' equity	21,505,633	22,590,650
Non-controlling interest	912,154	964,026
Total liabilities and shareholders' equity	\$ 46,822,063	\$ 52,939,888

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

	For the three months ended	
	December 31, 2021	December 31, 2020
Revenues	\$ 10,672,489	\$ 8,836,076
Cost of revenues	6,803,295	4,830,606
Gross profit	<u>3,869,194</u>	<u>4,005,470</u>
Operating expenses		
General and administrative	6,612,004	5,417,196
Research and development	1,311,713	634,225
Total operating expenses	<u>7,923,717</u>	<u>6,051,421</u>
Operating income/(loss)	<u>(4,054,523)</u>	<u>(2,045,951)</u>
Other income/(expense)		
Other income/(expense)	930,169	950,988
Interest Expense	(1,405,469)	(608,941)
Total other income/(expense), net	<u>(475,300)</u>	<u>342,047</u>
Net loss before income taxes	<u>(4,529,823)</u>	<u>(1,703,904)</u>
Income tax benefit/(expense)	-	(28,954)
Net income/(loss)	<u>(4,529,823)</u>	<u>(1,732,858)</u>

Less income/(loss) in noncontrolling interest	(51,872)	(40,247)
Net income/(loss) attributable to Cemtrex, Inc. shareholders	\$ (4,477,951)	\$ (1,692,611)
Other comprehensive income/(loss)		
Net income/(loss)	\$ (4,529,823)	\$ (1,732,858)
Foreign currency translation gain/(loss)	59,492	37,864
Comprehensive income/(loss)	(4,470,331)	(1,694,994)
Less comprehensive income/(loss) attributable to noncontrolling interest	51,872	(40,247)
Comprehensive income/(loss) attributable to Cemtrex, Inc. shareholders	\$ (4,522,203)	\$ (1,654,747)
Income/(loss) Per Share-Basic	\$ (0.20)	\$ (0.09)
Income/(loss) Per Share-Diluted	\$ (0.20)	\$ (0.09)
Weighted Average Number of Shares-Basic	22,713,683	17,842,664
Weighted Average Number of Shares-Diluted	22,713,683	17,842,664

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

**For the three months
ended
December 31,**

Cash Flows from Operating Activities	2021	2020
Net income/(loss)	\$ (4,529,823)	\$ (1,732,858)
Adjustments to reconcile net loss to net cash provided/(used) by operating activities:		
Depreciation and amortization	262,833	360,578
Gain on disposal of property and equipment	27,170	4,050
Amortization of right-of-use assets	214,511	186,777
Change in allowance for doubtful accounts	94,588	(3,979)
Share-based compensation	45,371	16,069
Income tax expense/ (benefit)	-	(28,954)
Interest expense paid in equity shares	821,592	87,099
Accrued interest on notes payable	132,162	126,390
Amortization of original issue discounts on notes payable	325,000	250,000

Gain/loss on marketable securities	21	(942,923)
Discharge of Paycheck Protection Program Loans	(971,500)	-
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:		
Accounts receivable	2,168,559	2,213,132
Accounts receivable - related party	(5,166)	(243,006)
Inventory	(1,428,411)	(632,610)
Prepaid expenses and other current assets	(141,859)	273,705
Other assets	(384)	141,058
Other liabilities	(88,266)	7,856
Accounts payable	(722,735)	(702,285)
Operating lease liabilities	(122,583)	(192,534)
Deposits from customers	659,720	3,539
Accrued expenses	(615,557)	(38,891)
Deferred revenue	(353,122)	(156,166)
Income taxes payable	(124,823)	(74,099)
Net cash used by operating activities - continuing operations	(4,352,702)	(1,078,052)
Net cash provided/(used) by operating activities - discontinued operations	-	-
Net cash used by operating activities	(4,352,702)	(1,078,052)
Cash Flows from Investing Activities		
Purchase of property and equipment	(291,666)	(13,321)
Investment in Virtual Driver Interactive	-	-
Investment in MasterpieceVR	-	(900,000)
Proceeds from sale of marketable securities	-	4,307,594
Purchase of marketable securities	-	(3,569,760)
Net cash provided/(used) by investing activities	(291,666)	(675,487)
Cash Flows from Financing Activities		
Proceeds from notes payable	-	-
Payments on notes payable	(326,763)	(1,275,000)
Payments received on notes receivable	-	-
Proceeds on bank loans	-	-
Payments on bank loans	(305,990)	(354,708)
Proceeds from Paycheck Protection Program Loans	-	-
Proceeds from securities purchase agreements	-	-
Payments on capital lease liabilities	-	-
Expenses on securities purchase agreements	-	-
Revolving line of credit	-	-

Net cash provided by financing activities	(632,753)	(1,629,708)
Effect of currency translation	63,228	(24,116)
Net increase in cash, cash equivalents, and restricted cash	(5,277,121)	(3,383,247)
Cash, cash equivalents, and restricted cash at beginning of period	17,186,323	21,072,859
Cash, cash equivalents, and restricted cash at end of period	\$11,972,430	\$17,665,496
Balance Sheet Accounts Included in Cash, Cash Equivalents, and Restricted Cash		
Cash and equivalents	\$10,338,978	\$15,866,068
Restricted cash	1,633,452	1,799,428
Total cash, cash equivalents, and restricted cash	\$11,972,430	\$17,665,496
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$ 126,715	\$ 145,452
Cash paid during the period for income taxes	\$ 124,823	\$ 74,099
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Investment in Virtual Driver Interactive	\$ -	\$ 439,774
Stock issued to pay notes payable	\$ 3,288,071	\$ 407,854

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Source: Centrex Inc.