

May 11, 2023



# Cemtrex Reports Second Quarter 2023 Financial Results

**Q2'23 Revenue Increased 37% to \$16.1M with Positive Operating Income of \$0.4M**

*Gross Margin up 1360 Basis Points to 46% in Q2'23*

*Management to Host Conference Call Today at 5:00 p.m. ET*

Brooklyn, NY, May 11, 2023 (GLOBE NEWSWIRE) -- [Cemtrex Inc.](#) (NASDAQ: CETX, CETXP), an advanced security technology and industrial services company, has reported its financial and operational results for the second quarter ended March 31, 2023.

## Key Second Quarter FY 2023 and Subsequent Highlights

- Revenue for Q2'23 increased 37% to \$16.1 million, compared to revenue of \$11.7 million for Q2'22.
  - Security segment revenues increased 47% to \$9.9m in Q2'23 as border protection vertical drives new order volumes for Vicon.
- Gross margin up 1360 basis points to 46% in Q2'23 from 32% in the prior year quarter
- Operating income of \$0.4 million for Q2'23 compared to operating loss of \$2.9 million in Q2'22.
- Vicon launched a new suite of AI-based analytics with enhanced lineup of Vicon Roughneck AI Camera series.
- Received a \$0.8 million order through Vicon Industries for a new prison being built in the United Kingdom to install a full end-to-end system of Vicon's surveillance products including hardware and software.
- Received a \$1.5 million order through Vicon Industries, in January, and a follow-up order for \$1.1 million in May, from a current large border protection customer in Texas to expand its security technology system with new security solutions.
- Announced a capitalization restructure, effecting a 1-for-35 reverse stock split.
- The Company's common stock regained full compliance with the minimum bid price requirement for continued listing on The Nasdaq Capital Market.
- Cash and equivalents as of March 31, 2023 was \$6.6 million.

## Management Commentary

Cemtrex Chairman and CEO, Saagar Govil, commented on the results: "The second quarter of fiscal year 2023 was highlighted by a return to operating profit driven by the sweeping

efforts we have taken throughout the business. Sales execution by Vicon with multiple large orders, resulted in revenue growth of 37% year over year. In combination with operational improvements, the quarter led to a gross margin improvement of 1360 basis points to 46%. We continue to expect increases in our gross margin over the next couple of quarters as we make further enhancements in Vicon's business. Overall operating income for the quarter increased to \$0.4 million compared to an operating loss of \$2.9 million a year ago.

"Our quarterly performance is now reflecting our shift in focus to the Vicon and Advanced Industrial Services (AIS) businesses. With the actions we have taken to drive business improvement and the increasing demand for security solutions, we expect to achieve a full year operating profit for FY 2024. We also believe that there is room within our inventory and asset base to draw extra liquidity in order to continue to maintain a healthy cash position.

"Turning to our businesses, year over year improving revenues in our Security segment were led by Vicon with a 47% increase, driven by strong demand from customers for its award-winning Roughneck cameras and Valerus video management software solutions. During the quarter we released a new suite of AI-based analytics in an enhanced Vicon Roughneck® AI Camera series, further improving our unified VMS platform for controlling video, access control, license plate recognition (LPR), and other integrated applications. We view this release as the first step in our AI roadmap and ultimately believe that AI is going to contribute massively to improving the security industry, and our product roadmap is intensely focused on leveraging these new AI tools to deliver features and benefits over the coming months and years.

"Vicon orders included a recent \$1.5 million order and follow-up \$1.1 million order from a current large border protection customer in Texas to expand its security technology system with new security solutions. Increasing modernization of the current security infrastructure is accelerating the growth of the border security market, driven by the rise of geopolitical instabilities and an increase in border threat assessments.

"Another \$0.8 million order for a new prison being built in the United Kingdom includes a full end-to-end system of Vicon's surveillance products including hardware and software, equipped with the latest smart technologies to better protect prisoners, staff and public. We see demand in the U.S and internationally from corrections facilities as a growth driver for us, as they are increasingly focusing on deploying the latest and greatest technologies.

"With Vicon on track to launch more products this year, as well as continued improvements to our core software platform Valerus, we expect to drive further growth. We believe revenues for Vicon Industries, based on our current demand, will exceed our earlier expectations of \$28.0 million for fiscal year 2023 given the growing demand for our products and solutions. Additionally, we see further opportunity to grow our Gross Margin Percent in FY 2024.

"Revenue for our Industrial services segment, AIS, increased 23% during the quarter mainly due to increased demand for our services. We believe AIS will continue to expand revenues and may exceed our original 3% target of \$21.8 million for fiscal year 2023 driven by continued strength in the Industrial Services market. The Gross Profit Margin for AIS improved to 36% for the quarter compared to 29% for the prior year quarter driven by increased prices and lower subcontractor costs. The Gross Margin Percent is expected to maintain or exceed approximately 34% for the FY 2023 for Advanced Industrial Services.

Looking ahead, we believe that continued reshoring of manufacturing to the US as well investments in US infrastructure will play a key role in AIS' long-term growth.

"Looking ahead, we are highly focused on Vicon's ability to disrupt the status quo of how the security industry traditionally operates with state-of-the-art surveillance cameras and VMS software. With achieving a critical milestone of operating profit for the quarter, we are optimistic for the year ahead and the ability to achieve full year positive operating income in FY 2024 while driving attractive top line growth. We look forward to providing additional updates in the months to come as accelerate our efforts to build long-term value for our shareholders," concluded Govil.

## **Second Quarter FY 2023 Financial Results**

Revenue for the three months ended March 31, 2023, and 2022 was \$16.1 million and \$11.7 million, respectively, an increase of 37%. This increase is mainly due to increased demand for the Company's products and services. The Security segment revenues for the three months ended March 31, 2023, increased by 47% to \$9.9 million. The Security segment increase was due to an increased demand for security technology products under the Vicon brand. The Industrial Services segment revenues for the quarter increased by 23% to \$6.2 million, mainly due to increased demand for the segment's services.

Gross Profit for the second quarter of 2023 was \$7.3 million, or 46% of revenues as compared to gross profit of \$3.8 million, or 32% of revenues for the year ago period, mainly attributed to increased prices, reduced shipping expenses, and lower subcontractor costs.

Total operating expenses for three months ended March 31, 2023, were \$6.9 million, compared to \$6.7 million in the prior year's quarter. The increase was due to an increase in research and development expenses for the period.

Operating income for the second quarter of 2023 was \$0.4 million as compared to an operating loss of \$2.9 million for the second quarter of 2022. The decrease in the loss was primarily due to an increase in gross profit for the period.

Net loss for the quarter ended March 31, 2023 was \$0.6 million, as compared to a net loss of \$4.7 million in 2022, a decrease of 87%. Net loss decreased in the second quarter as compared to the same period last year primarily due to the increase in revenue and gross profit for the period.

Cash and cash equivalents totaled \$6.6 million at March 31, 2023, as compared to \$9.9 million at September 30, 2022.

Inventories increased to \$8.6 million at March 31, 2023, from \$8.5 million at September 30, 2022.

## **Second Fiscal Quarter 2023 Results Conference Call**

Cemtrex Chief Executive Officer Saagar Govil and Chief Financial Officer Paul Wyckoff will host the conference call, followed by a question-and-answer period.

To access the call, please use the following information:

Date: Thursday, May 11, 2023  
Time: 5:00 p.m. Eastern time, 2:00 p.m. Pacific time  
Toll-free dial-in number: 1-877-407-0792  
International dial-in number: 1-201-689-8263  
Conference ID: 13738082

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact MZ Group at 1-949-491-8235.

The conference call will be broadcast live and available for replay at [https://viaavid.webcasts.com/starthere.jsp?ei=1609895&tp\\_key=8207c45bec](https://viaavid.webcasts.com/starthere.jsp?ei=1609895&tp_key=8207c45bec) and via the investor relations section of the Company's website at [www.cemtrex.com](http://www.cemtrex.com).

A replay of the conference call will be available after 8:00 p.m. Eastern time through May 25, 2023.

Toll-free replay number: 1-844-512-2921  
International replay number: 1-412-317-6671  
Replay ID: 13738082

## About Cemtrex

Cemtrex Inc. (CETX) is a company that owns two operating subsidiaries: Vicon Industries Inc and Advanced Industrial Services Inc.

**Vicon Industries**, a subsidiary of Cemtrex Inc., is a global leader in advanced security and surveillance technology to safeguard businesses, schools, municipalities, hospitals and cities. Since 1967, Vicon delivers mission-critical security surveillance systems, specializing in engineering complete security solutions that simplify deployment, operation and ongoing maintenance. Vicon provides security solutions for some of the largest municipalities and businesses in the U.S. and around the world, offering a wide range of cutting-edge and compliant security technologies, from AI-driven video analytics to fully integrated access control solutions. For more information visit [www.vicon-security.com](http://www.vicon-security.com)

**AIS – Advanced Industrial Services**, a subsidiary of Cemtrex, Inc., is a premier provider of industrial contracting services including millwrighting, rigging, piping, electrical, welding. AIS Installs high precision equipment in a wide variety of industrial markets including automotive, printing & graphics, industrial automation, packaging, and chemicals. AIS owns and operates a modern fleet of custom designed specialty equipment to assure safe and quick installation of your production equipment. Our talented staff participates in recurring instructional training, provided to ensure that the most current industry methods are being utilized to provide an efficient and safe working environment. For more information visit [www.ais-york.com](http://www.ais-york.com)

For more information visit [www.cemtrex.com](http://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)	
	March 31, 2023	September 30, 2022
<b>Assets</b>		
<hr/>		
Current assets		
Cash and equivalents	\$ 6,634,037	\$ 9,895,761
Restricted cash	645,297	1,577,915
Short-term investments	13,663	13,721
Trade receivables, net	7,271,488	5,399,216
Trade receivables - related party	408,464	-
Inventory –net of allowance for inventory obsolescence	8,561,026	8,487,817
Prepaid expenses and other assets	2,588,400	2,421,644
Assets of discontinued operations	-	3,971,693
Total current assets	26,122,375	31,767,767
Property and equipment, net	5,052,796	5,280,442
Right-of-use assets	2,297,293	2,641,198
Royalties receivable - related party	678,330	-
Note receivable - related party	761,585	761,585
Goodwill	3,906,891	3,906,891
Other	1,584,910	1,399,745
<b>Total Assets</b>	<b>\$ 40,404,180</b>	<b>\$ 45,757,628</b>
<b>Liabilities &amp; Stockholders' Equity</b>		
<hr/>		
Current liabilities		
Accounts payable	\$ 3,307,521	\$ 3,050,937
Accounts payable - related party	3,368	19,133
Short-term liabilities	16,441,488	16,894,743
Lease liabilities - short-term	732,680	754,495
Deposits from customers	74,762	73,144
Accrued expenses	3,062,806	2,271,188
Deferred revenue	2,058,661	1,551,088
Accrued income taxes	57,150	94,848
Liabilities of discontinued operations	-	805,219
Total current liabilities	25,738,436	25,514,795
Long-term liabilities		
Loans payable to bank	73,407	110,331
Long-term lease liabilities	1,564,613	1,822,468
Notes payable	1,604,743	-
Mortgage payable	2,125,864	2,160,169

Other long-term liabilities	575,900	807,898
Paycheck Protection Program Loans	70,816	97,120
Deferred Revenue - long-term	581,193	607,309
Total long-term liabilities	<u>6,596,536</u>	<u>5,605,295</u>
Total liabilities	<u>32,334,972</u>	<u>31,120,090</u>

Commitments and contingencies

Shareholders' equity

Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Series 1, 3,000,000 shares authorized, 2,183,463 shares issued and 2,119,363 shares outstanding as of March 31, 2023 and 2,079,122 shares issued and 2,015,022 shares outstanding as of September 30, 2022 (liquidation value of \$10 per share)	2,183	2,079
Series C, 100,000 shares authorized, 50,000 shares issued and outstanding at March 31, 2023 and September 30, 2022	50	50
Common stock, \$0.001 par value, 50,000,000 shares authorized, 828,570 shares issued and outstanding at March 31, 2023 and 754,711 shares issued and outstanding at September 30, 2022	828	755
Additional paid-in capital	67,042,743	66,641,698
Accumulated deficit	(61,801,025)	(54,929,020)
Treasury stock, 64,100 shares of Series 1 Preferred Stock at March 31, 2023 and September 30, 2022	(148,291)	(148,291)
Accumulated other comprehensive income	2,283,876	2,377,525
Total Centrex stockholders' equity	<u>7,380,364</u>	<u>13,944,796</u>
Non-controlling interest	688,844	692,742
<b>Total liabilities and shareholders' equity</b>	<b>\$ 40,404,180</b>	<b>\$ 45,757,628</b>

### Centrex, Inc. and Subsidiaries Condensed Consolidated Statements of Operations (Unaudited)

	For the three months ended		For the six months ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Revenues	\$ 16,073,397	\$ 11,746,017	\$ 28,043,639	\$ 21,159,412
Cost of revenues	8,734,916	7,976,236	15,662,543	14,167,381
Gross profit	<u>7,338,481</u>	<u>3,769,781</u>	<u>12,381,096</u>	<u>6,992,031</u>
Operating expenses				
General and administrative	5,318,267	5,424,669	10,482,605	10,713,844
Research and development	1,615,341	1,239,334	3,445,054	2,471,008
Total operating expenses	<u>6,933,608</u>	<u>6,664,003</u>	<u>13,927,659</u>	<u>13,184,852</u>
Operating income/(loss)	<u>404,873</u>	<u>(2,894,222)</u>	<u>(1,546,563)</u>	<u>(6,192,821)</u>
Other income/(expense)				
Other income	376,504	90,922	359,421	1,021,060
Interest expense	(1,335,138)	(1,313,483)	(2,463,372)	(2,715,887)
Total other expense, net	<u>(958,634)</u>	<u>(1,222,561)</u>	<u>(2,103,951)</u>	<u>(1,694,827)</u>
Net loss before income taxes	<u>(553,761)</u>	<u>(4,116,783)</u>	<u>(3,650,514)</u>	<u>(7,887,648)</u>
Income tax benefit/(expense)	-	-	-	-
Loss from Continuing operations	<u>(553,761)</u>	<u>(4,116,783)</u>	<u>(3,650,514)</u>	<u>(7,887,648)</u>
Income/(loss) from discontinued operations, net of tax	<u>14,232</u>	<u>(685,140)</u>	<u>(3,225,389)</u>	<u>(1,444,098)</u>
Net loss	<u>(539,529)</u>	<u>(4,801,923)</u>	<u>(6,875,903)</u>	<u>(9,331,746)</u>
Less income/(loss) in noncontrolling interest	<u>55,265</u>	<u>(80,676)</u>	<u>(3,898)</u>	<u>(132,548)</u>
<b>Net loss attributable to Centrex, Inc. shareholders</b>	<b>\$ (594,794)</b>	<b>\$ (4,721,247)</b>	<b>\$ (6,872,005)</b>	<b>\$ (9,199,198)</b>
Income (loss) per share - Basic & Diluted				
Continuing Operations	\$ (0.75)	\$ (5.86)	\$ (4.63)	\$ (11.51)
Discontinued Operations	\$ 0.02	\$ (1.00)	\$ (4.09)	\$ (2.14)
Weighted Average Number of Shares-Basic & Diluted	815,498	688,255	788,265	673,943
Weighted Average Number of Shares-Diluted	815,498	688,255	788,265	673,943

## Condensed Consolidated Statements of Cash Flows (Unaudited)

Cash Flows from Operating Activities	For the six months ended March 31,	
	2023	2022
Net loss	\$ (6,875,903)	\$ (9,331,746)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization	448,388	610,327
Loss on disposal of property and equipment	64,908	30,558
Noncash lease expense	420,411	293,506
Bad debt expense	(1,543)	(1,839)
Share-based compensation	66,577	72,417
Interest expense paid in equity shares	32,145	1,521,992
Accounts payable paid in equity shares	102,500	-
Accrued interest on notes payable	1,290,615	329,264
Amortization of original issue discounts on notes payable	883,467	583,333
Gain/(loss) on marketable securities	58	(159,905)
Discharge of Paycheck Protection Program Loans	-	(971,500)
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:		
Trade receivables	(1,870,729)	1,572,113
Trade receivables - related party	(408,464)	14,641
Inventory	(73,209)	(1,396,073)
Prepaid expenses and other current assets	(166,756)	(708,456)
Other assets	(185,165)	(78,146)
Other liabilities	(231,998)	(17,163)
Accounts payable	256,584	432,372
Accounts payable - related party	(15,765)	-
Operating lease liabilities	(356,176)	(201,578)
Deposits from customers	1,618	(288,503)
Accrued expenses	791,618	(312,693)
Deferred revenue	481,457	722,975
Income taxes payable	(37,698)	(312,006)
Net cash used by operating activities - continuing operations	(5,383,060)	(7,596,110)
Net cash provided by operating activities - discontinued operations	2,488,144	133,512
<b>Net cash used by operating activities</b>	<b>(2,894,916)</b>	<b>(7,462,598)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(263,732)	(706,392)
Proceeds from sale of property and equipment	11,026	230,901
Investment in MasterpieceVR	-	(500,000)
Proceeds from sale of marketable securities	-	176,945
Purchase of marketable securities	-	(4,626,862)
Net cash used by investing activities - continuing operations	(252,706)	(5,425,408)
Net cash provided by investing activities - discontinued operations	-	(2,349)
<b>Net cash used by investing activities</b>	<b>(252,706)</b>	<b>(5,427,757)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable	-	8,000,000
Payments on notes payable	(544,370)	(901,763)
Payments on Paycheck Protection Program Loans	(10,033)	-
Payments on bank loans	(365,724)	(613,900)
<b>Net cash (used)/provided by financing activities</b>	<b>(920,127)</b>	<b>6,484,337</b>
Effect of currency translation	(126,593)	(150,076)
Net decrease in cash, cash equivalents, and restricted cash	(4,067,749)	(6,406,018)

Cash, cash equivalents, and restricted cash at beginning of period	11,473,676	17,186,323
<b>Cash, cash equivalents, and restricted cash at end of period</b>	<b>\$ 7,279,334</b>	<b>\$ 10,630,229</b>
<b>Balance Sheet Accounts Included in Cash, Cash Equivalents, and Restricted Cash</b>		
Cash and equivalents	\$ 6,634,037	\$ 8,970,324
Restricted cash	645,297	1,659,905
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 7,279,334</b>	<b>\$ 10,630,229</b>

Investor Relations  
Chris Tyson  
Executive Vice President - MZ North America  
Direct: 949-491-8235  
CETX@mzgroup.us  
www.mzgroup.us



Source: Cemtrex Inc.