

August 10, 2023



Cemtrex Reports Third Quarter 2023 Financial Results

Q3'23 Revenue Increased 22% to \$14.7M with 2nd Consecutive Quarter of Positive Operating Income of \$0.1M

Gross Margin up 200 Basis Points to 44% in Q3'23

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

Brooklyn, NY, Aug. 10, 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 third quarter ended June 30, 2023.

Key Third Quarter FY 2023 and Subsequent Highlights

- Revenue for Q3'23 increased 22% to \$14.7 million, compared to revenue of \$12.1 million for Q3'22.
 - Security segment revenues increased 36% to \$9.0 million in Q3'23 as border protection vertical drives new order volumes for Vicon.
- Gross margin up 200 basis points to 44% in Q3'23 from 42% in the prior year quarter
- Operating income of \$0.1 million for Q3'23 compared to operating loss of \$1.5 million in Q3'22, and second consecutive positive quarter from \$0.4 million in Q2'2023.
- Closed the acquisition of Heisey Mechanical Ltd., a leading service contractor and steel fabricator that specializes in industrial and water treatment markets, on July 1st, 2023, adding approximately \$11 million in revenue, positive cash flow and expands capabilities and customers into new markets.
- Received a \$1.1 million order through Vicon Industries from a current large border protection customer in Texas to develop its security technology system with new solutions, expanding on the customer's \$1.5 million order in January 2023.
- Cash, cash equivalents and restricted cash as of June 30, 2023 was \$6.4 million.

Management Commentary

Cemtrex Chairman and CEO, Saagar Govil, commented on the results: "The third quarter of fiscal year 2023 was highlighted by continued sales execution by Vicon with multiple large orders, and the closing of our acquisition of Heisey Mechanical, an established contractor in a growth market that is highly synergistic with our Advanced Industrial Services ("AIS") subsidiary. The quarter culminated in revenue growth of 22% year over year and, in combination with operational improvements and a gross margin improvement of 200 basis points to 44%. We expect gross margin to continue to increase as we make further

enhancements in Vicon's business. Overall operating income for the quarter increased to \$0.1 million compared to an operating loss of \$1.5 million a year ago and was our second quarter of consecutive operating income. 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 fiscal year 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 Security segment, Vicon year over year revenues improved 36%, driven by strong demand from customers for its award-winning Roughneck cameras and Valerus video management software solutions. Vicon orders included a 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, a follow-on to its \$1.5 million order earlier in the year. 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 fiscal year 2024.

"Revenue for our Industrial services segment, AIS, increased 5% 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 30% for the prior year quarter driven by lower subcontractor costs. The Gross Margin Percent is expected to maintain or exceed approximately 34% for the fiscal year 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.

"Recently we closed on the highly synergistic acquisition of Heisey Mechanical, which is focused on steel fabrication and contracting primarily to the commercial and industrial water treatment industry, as well as other service industries. The acquisition brings over \$11.6 million in immediately accretive annual revenue and approximately \$775K in [adjusted EBITDA](#), when averaged over the last four years, with its client list of commercial and industrial facilities, a seasoned team and extensive manufacturing equipment. We expect the transaction to be accretive in the fourth quarter of fiscal year 2023.

"Looking ahead, we are highly focused on Vicon's ability to disrupt the status quo of how the security industry traditionally operates with its upcoming next generation version of state-of-

the-art surveillance cameras and VMS software. After achieving operating profit consecutively for the second and third fiscal quarters, we are optimistic we can achieve full year positive operating income in fiscal year 2024 while driving attractive top line and bottom 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.

Third Quarter FY 2023 Financial Results

Revenue for the three months ended June 30, 2023, and 2022 was \$14.7 million and \$12.1 million, respectively, an increase of 22%. Revenue for the nine months ended June 30, 2023, and 2022 was \$42.8 million and \$33.3, respectively, an increase of 29%. The Security segment revenues for the three months ended June 30, 2023, increased by 36% to \$9.0 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 5% to \$5.7 million, mainly due to increased demand for the segment’s services.

Gross Profit for the third quarter of 2023 increased to \$6.5 million, or 44% of revenues as compared to gross profit of \$5.0 million, or 42% of revenues for the year ago period, mainly attributed to increased demand for our products and services along with increased prices and lower subcontractor costs.

Total operating expenses for three months ended June 30, 2023, were \$6.4 million, compared to \$6.6 million in the prior year’s quarter.

Operating income for the third quarter of 2023 was \$0.1 million as compared to an operating loss of \$1.5 million for the third quarter of 2022. The increase was primarily due to an increase in gross profit for the period.

Net loss for the quarter ended June 30, 2023 was \$1.1 million, as compared to a net loss of \$0.7 million in 2022, an increase of 68%. Net loss increased in the third quarter as compared to the same period last year primarily due to a decrease in Other Income.

Cash, cash equivalents and restricted cash totaled \$6.4 million at June 30, 2023, as compared to \$11.4 million at September 30, 2022.

Inventories increased to \$8.7 million at June 30, 2023, from \$8.5 million at September 30, 2022.

Third 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, August 10, 2023
Time:	5:00 p.m. Eastern time, 2:00 p.m. Pacific time
Toll-free dial-in number:	1-877-300-8521
International dial-in number:	1-412-317-6026
Conference ID:	10180809

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=1624573&tp_key=b23bd1b76b and via the investor relations section of the Company's website at www.cemtrex.com.

A replay of the conference call will be available after 8:00 p.m. Eastern time through August 24, 2023.

Toll-free replay number:

1-844-512-2921

International replay number:

1-412-317-6671

Replay ID:

10180809

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

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

For more information visit 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)	
	June 30, 2023	September 30, 2022
Assets		
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Current assets		
Cash and equivalents	\$ 5,628,839	\$ 9,895,761
Restricted cash	805,273	1,577,915
Short-term investments	13,663	13,721
Trade receivables, net	7,507,755	5,399,216
Trade receivables - related party	578,388	-
Inventory –net of allowance for inventory obsolescence	8,719,740	8,487,817
Prepaid expenses and other assets	3,089,416	2,421,644
Assets of discontinued operations	-	3,971,693
Total current assets	<u>26,343,074</u>	<u>31,767,767</u>
Property and equipment, net	6,180,771	5,280,442
Right-of-use assets	2,213,341	2,641,198
Royalties receivable - related party	691,611	-
Note receivable - related party	761,585	761,585
Goodwill	3,906,891	3,906,891
Other	1,646,403	1,399,745
Total Assets	<u>\$ 41,743,676</u>	<u>\$ 45,757,628</u>
Liabilities & Stockholders' Equity		
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Current liabilities		
Accounts payable	\$ 3,725,105	\$ 3,050,937
Accounts payable - related party	3,372	19,133
Short-term liabilities, net of unamortized original issue discounts	17,185,167	16,894,743
Lease liabilities - short-term	716,896	754,495
Deposits from customers	34,281	73,144
Accrued expenses	3,536,097	2,271,188
Deferred revenue	2,060,570	1,551,088
Accrued income taxes	49,075	94,848
Liabilities of discontinued operations	-	805,219
Total current liabilities	<u>27,310,563</u>	<u>25,514,795</u>
Long-term liabilities		
Loans payable to bank	54,578	110,331
Long-term lease liabilities	1,496,445	1,822,468
Notes payable	1,379,743	-
Mortgage payable	2,110,020	2,160,169
Other long-term liabilities	528,952	807,898
Paycheck Protection Program Loans	60,695	97,120
Deferred Revenue - long-term	623,007	607,309
Total long-term liabilities	<u>6,253,440</u>	<u>5,605,295</u>
Total liabilities	<u>33,564,003</u>	<u>31,120,090</u>

Commitments and contingencies	-	-
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized, Series 1, 3,000,000 shares authorized, 2,293,016 shares issued and 2,228,916 shares outstanding as of June 30, 2023 and 2,079,122 shares issued and 2,015,022 shares outstanding as of September 30, 2022 (liquidation value of \$10 per share)	2,293	2,079
Series C, 100,000 shares authorized, 50,000 shares issued and outstanding at June 30, 2023 and September 30, 2022	50	50
Common stock, \$0.001 par value, 50,000,000 shares authorized, 957,760 shares issued and outstanding at June 30, 2023 and 754,711 shares issued and outstanding at September 30, 2022	958	755
Additional paid-in capital	68,302,617	66,641,698
Accumulated deficit	(62,947,549)	(54,929,020)
Treasury stock, 64,100 shares of Series 1 Preferred Stock at June 30, 2023 and September 30, 2022	(148,291)	(148,291)
Accumulated other comprehensive income	2,306,346	2,377,525
Total Cemtrex stockholders' equity	7,516,424	13,944,796
Non-controlling interest	663,249	692,742
Total liabilities and shareholders' equity	\$ 41,743,676	\$ 45,757,628

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

	For the three months ended		For the nine months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues	\$ 14,730,140	\$ 12,108,904	\$ 42,773,779	\$ 33,268,316
Cost of revenues	8,249,497	7,068,797	23,914,249	21,236,178
Gross profit	6,480,643	5,040,107	18,859,530	12,032,138
Operating expenses				
General and administrative	5,376,960	5,381,529	16,456,602	16,095,373
Research and development	1,049,909	1,189,875	3,895,717	3,660,883
Total operating expenses	6,426,869	6,571,404	20,352,319	19,756,256
Operating income/(loss)	53,774	(1,531,297)	(1,492,789)	(7,724,118)
Other income/(expense)				
Other income	34,652	2,315,500	394,073	3,336,560
Interest expense	(1,254,185)	(925,545)	(3,717,557)	(3,641,432)
Total other (expense)/income, net	(1,219,533)	1,389,955	(3,323,484)	(304,872)
Net loss before income taxes	(1,165,759)	(141,342)	(4,816,273)	(8,028,990)
Income tax benefit/(expense)	(19,641)	247,941	(19,641)	247,941
(Loss)/income from Continuing operations	(1,185,400)	106,599	(4,835,914)	(7,781,049)
Income/(loss) from discontinued operations, net of tax	13,281	(838,301)	(3,212,108)	(2,282,399)
Net loss	(1,172,119)	(731,702)	(8,048,022)	(10,063,448)
Less loss in noncontrolling interest	(25,595)	(50,909)	(29,493)	(183,457)
Net loss attributable to Cemtrex, Inc. shareholders	\$ (1,146,524)	\$ (680,793)	\$ (8,018,529)	\$ (9,879,991)
Income (loss) per share - Basic & Diluted				
Continuing Operations	\$ (1.29)	\$ 0.21	\$ (5.83)	\$ (10.94)
Discontinued Operations	\$ 0.01	\$ (1.14)	\$ (3.89)	\$ (3.29)
Weighted Average Number of Shares-Basic & Diluted	897,897	736,506	824,689	694,758

Cemtrex, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended June 30,	
	2023	2022
Cash Flows from Operating Activities		
Net loss	\$ (8,048,022)	\$ (10,063,448)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization	698,269	1,038,138
Loss on disposal of property and equipment	69,611	161,814
Noncash lease expense	614,254	524,500
Bad debt expense (recovery)	(155)	(7,584)
Share-based compensation	93,313	111,402
Income tax expense/ (benefit)	-	(247,941)
Interest expense paid in equity shares	276,151	1,627,046
Accrued interest on notes payable	1,858,631	635,001
Amortization of original issue discounts on notes payable	1,200,200	908,333
Gain/(loss) on marketable securities	58	(2,234,478)
Discharge of Paycheck Protection Program Loans	-	(971,500)
Changes in operating assets and liabilities net of effects from acquisition of subsidiaries:		
Trade receivables	(2,108,384)	445,590
Trade receivables - related party	(578,388)	14,641
Inventory	(231,923)	(2,565,778)
Prepaid expenses and other current assets	(667,772)	125,344
Other assets	(246,658)	(159,526)
Accounts payable	816,040	1,012,206
Accounts payable - related party	(15,761)	-
Operating lease liabilities	(550,019)	(456,042)
Deposits from customers	(38,863)	(374,978)
Accrued expenses	1,264,909	(444,238)
Deferred revenue	525,180	470,685
Income taxes payable	(45,773)	(59,588)
Other liabilities	(278,946)	(159,526)
Net cash used by operating activities - continuing operations	(5,394,048)	(10,669,927)
Net cash provided by operating activities - discontinued operations	2,474,863	41,562
Net cash used by operating activities	(2,919,185)	(10,628,365)
Cash Flows from Investing Activities		
Purchase of property and equipment	(761,470)	(727,955)
Proceeds from sale of property and equipment	26,205	51,262
Investment in MasterpieceVR	-	(500,000)
Proceeds from sale of marketable securities	-	12,182,932
Purchase of marketable securities	-	(10,214,044)
Net cash (used in)/provided by investing activities - continuing operations	(735,265)	792,195
Net cash used by investing activities - discontinued operations	-	(39,388)
Net cash (used in)/provided by investing activities	(735,265)	752,807
Cash Flows from Financing Activities		
Proceeds from notes payable	-	8,000,000
Payments on debt	(844,370)	(1,176,763)
Payments on Paycheck Protection Program Loans	(20,154)	-
Payments on bank loans	(416,467)	(920,939)
Net cash provided by financing activities - continuing operations	(1,280,991)	5,902,298
Net cash used by financing activities - discontinued operations	-	-
Net cash (used)/provided by financing activities	(1,280,991)	5,902,298
Effect of currency translation	(104,123)	(397,840)
Net decrease in cash, cash equivalents, and restricted cash	(4,935,441)	(3,973,260)
Cash, cash equivalents, and restricted cash at beginning of period	11,473,676	17,186,323
Cash, cash equivalents, and restricted cash at end of period	\$ 6,434,112	\$ 12,815,223

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

Cash and equivalents	\$ 5,628,839	\$ 11,442,487
Less cash attributed to discontinued operations	-	(145,984)
Restricted cash	805,273	1,518,720
Total cash, cash equivalents, and restricted cash	\$ 6,434,112	\$ 12,815,223

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Source: Centrex Inc.