

February 14, 2023



Cemtrex Reports First Quarter 2023 Financial Results

Q1'23 Revenue Increased 27% to \$12.0M, Security Segment Revenues Increased 61% to 7.0M in Q1'23

Gross Margin up 790 basis points to 42% in Q1'23

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

Brooklyn, NY, Feb. 14, 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 first quarter ended December 31, 2022.

Key First Quarter FY 2023 and Subsequent Highlights

- Revenue for Q1'23 increased 27% to \$12.0 million, compared to revenue of \$9.4 million for Q1'22.
- Gross margin up 790 basis points to 42% in Q1'23 from 34% in the prior year quarter
- Operating loss for Q1'23 declined 41% to \$2.0 million from \$3.3 million in Q1'22.
- Completed divestiture of non-core assets to focus on accelerating its Vicon and AIS brands, a transformative business restructuring that will result in approximately \$6.2M in operating expense reduction to be realized going forward from Nov 2022.
- 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.
- Received a \$1.5 million order through Vicon Industries, in January, from a current large border protection customer in Texas to expand its security technology system with new security solutions.
- Appointed Shane Compton as Chief Operating Officer of Vicon, a 20-year industry veteran who will lead operational growth, oversee sales and engineering, and spearhead efficiency initiatives.
- Cash and equivalents as of December 31, 2022 was \$5.8 million.

Management Commentary

Cemtrex Chairman and CEO, Saagar Govil, commented on the results: "The first quarter of fiscal year 2023 was highlighted by continued topline growth as we grew sales by 27% year over year. Additionally, the different steps we have taken operationally have led to a gross margin improvement of 790 basis points to 42%. We expect to see continued increases in

our gross margin over the next couple quarters as we drive improvements in Vicon's business. Overall operating income improved with the operating loss for the quarter declining by 41%. We are pleased with the progress we are making to drive better operational results since our shift in focus to our Vicon and Advanced Industrial Services (AIS) businesses. The substantial cost savings from the divestment of non-core assets and reduced expenses at the Cemtrex corporate level are now beginning to reflect more fully in our quarterly performance and will continue into the future.

"Year over year improving revenues in our Security segment were led by Vicon with a 61% increase, driven by strong demand from customers for its award-winning Roughneck cameras and Valerus video management software solutions. Recently Vicon received a \$1.5 million order from a current large border protection customer in Texas to expand its security technology system with new security solutions. With Vicon's software solution currently deployed at the site, the new order expands the customer's state-of-the-art video surveillance security capabilities with the addition of award-winning Roughneck multi-sensor cameras and servers. We continue to believe revenues for Vicon Industries, based on our current demand, should increase by approximately 16% to \$28.0 million for fiscal year 2023 given the launch of its AI based analytics solution, improvements to Valerus and additional sales. Additionally, Gross Profit Margin for Vicon is expected to increase to approximately 48% for fiscal year 2023.

"Revenue for our Industrial services segment, AIS, decreased slightly during the quarter mainly due to products and services revenue recognition timing. We continue to see increasing demand and monetizing opportunities for AIS with the need for predictive maintenance services, reshoring of manufacturing back to the US, and an growing complexity in industrial equipment. We believe AIS will continue to expand revenues by 3% to \$21.8 million for fiscal year 2023 driven by continued strength in the Industrial Services market, and Gross Profit Margin for AIS is expected to improve to approximately 34% for the FY 2023 for Advanced Industrial Services.

With all the combined actions taken to drive business improvement, we believe the Operating Loss over the next four quarters to be under approximately \$2.5 million. The effects of these changes were only partially demonstrated in our December quarter performance due to the timing of the restructurings, and we expect our March and June quarters performance to reflect the improvements more fully. We also believe that we can reduce inventory by more than \$1.5 million over the course of FY 2023 as we have seen supply chain constraints improve. This will allow us to offset the cash loss from the expected operating loss over the next couple quarters by the cash obtained from the reduction in inventory, reducing the burden on our overall cash position.

"Looking ahead, we continue to see escalating demand for our businesses and believe this shift in focus to capture significant near-term opportunities will help us to reach positive operating income by 2024 and maximize shareholder value over the next several years," concluded Govil.

First Quarter FY 2023 Financial Results

Revenue for the three months ended December 31, 2022, and 2021 was \$12.0 million and \$9.4 million, respectively, an increase of 27%. This increase is mainly due to increased demand for the Company's products and services. The Security segment revenues for the

three months ended December 31, 2022, increased by 61% to \$7.0 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 decreased by 2% to \$5.0 million, mainly due to timing of the recognition of revenue for the segment's products and services.

Gross Profit for the first quarter of 2023 was \$5.0 million, or 42% of revenues as compared to gross profit of \$3.2 million, or 34% of revenues for the year ago period, mainly attributed to increased prices and lower subcontractor costs.

Total operating expenses for three months ended December 31, 2022, were \$7.0 million, compared to \$6.5 million in the prior year's quarter. The increase was due to an increase in research and development expenses for the period.

Operating loss for the first quarter of 2023 was \$2.0 million, a 41% decline as compared to an operating loss of \$3.3 million for first quarter of 2022. The decrease was primarily due to an increase in gross profit for the period.

Net loss for the quarter ended December 31, 2022 was \$6.1 million, as compared to a net loss of \$4.5 million in 2021. Net loss increased in the first quarter as compared to the same period last year primarily due to the loss on discontinued operations.

Cash and cash equivalents totaled \$5.8 million at December 31, 2022, as compared to \$9.9 million at September 30, 2021.

Inventories increased by \$0.1 million or 1% to \$8.6 million at December 31, 2022, from \$8.5 million at September 30, 2022.

First 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:	Tuesday, February 14, 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:	13736368

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=1598101&tp_key=8241134d56 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 February 28, 2022.

Toll-free replay number:
International replay number:
Replay ID:

1-844-512-2921
1-412-317-6671
13736368

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)
December 31, September 30,

Assets	2022	2022
Current assets		
Cash and equivalents	\$ 5,768,610	\$ 9,895,761
Restricted cash	1,601,723	1,577,915
Short-term investments	13,721	13,721
Trade receivables, net	6,936,077	5,399,216
Trade receivables - related party	383,710	-
Inventory –net of allowance for inventory obsolescence	8,604,759	8,487,817
Prepaid expenses and other assets	3,092,618	2,421,644
Assets of discontinued operations	-	3,971,693
Total current assets	<u>26,401,218</u>	<u>31,767,767</u>
Property and equipment, net	5,108,267	5,280,442
Right-of-use assets	2,520,506	2,641,198
Royalties receivable - related party	665,048	-
Note receivable - related party	761,585	761,585
Goodwill	3,906,891	3,906,891
Other	1,546,101	1,399,745
Total Assets	\$ 40,909,616	\$ 45,757,628
Liabilities & Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	\$ 2,722,992	\$ 3,050,937
Accounts payable - related party	19,034	19,133
Short-term liabilities	17,099,485	16,894,743
Lease liabilities - short-term	787,561	754,495
Deposits from customers	489,669	73,146
Accrued expenses	3,246,129	2,271,188
Deferred revenue	2,505,618	1,551,088
Accrued income taxes	-	94,848
Liabilities of discontinued operations	-	805,219
Total current liabilities	<u>26,870,488</u>	<u>25,514,797</u>
Long-term liabilities		
Loans payable to bank	92,010	110,331
Long-term lease liabilities	1,732,945	1,822,468
Mortgage payable	2,142,662	2,160,169
Other long-term liabilities	582,392	807,898
Paycheck Protection Program Loans	97,120	97,120
Deferred Revenue - long-term	595,281	607,309
Total long-term liabilities	<u>5,242,410</u>	<u>5,605,295</u>
Total liabilities	<u>32,112,898</u>	<u>31,120,092</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 December 31, 2022 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 December 31, 2022 and September 30, 2022	50	50
Common stock, \$0.001 par value, 50,000,000 shares authorized, 793,727 shares issued and outstanding at December 31, 2022 and 754,711 shares issued and outstanding at September 30, 2022	794	755
Additional paid-in capital	66,913,540	66,641,696
Retained earnings (accumulated deficit)	(61,206,231)	(54,929,020)
Treasury stock, 64,100 shares of Series 1 Preferred Stock at December 31, 2022 and September 30, 2022	(148,291)	(148,291)
Accumulated other comprehensive income (loss)	2,601,094	2,377,525
Total Cemtrex stockholders' equity	<u>8,163,139</u>	<u>13,944,794</u>

Non-controlling interest	633,579	692,742
Total liabilities and shareholders' equity	\$ 40,909,616	\$ 45,757,628

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

	For the three months ended	
	December 31, 2022	December 31, 2021
Revenues	\$ 11,970,242	\$ 9,413,395
Cost of revenues	6,927,627	6,191,145
Gross profit	5,042,615	3,222,250
Operating expenses		
General and administrative	5,455,833	5,447,951
Research and development	1,538,218	1,072,898
Total operating expenses	6,994,051	6,520,849
Operating loss	(1,951,436)	(3,298,599)
Other income/(expense)		
Other income	(17,083)	930,138
Interest Expense	(1,128,234)	(1,402,404)
Total other income/(expense), net	(1,145,317)	(472,266)
Net loss before income taxes	(3,096,753)	(3,770,865)
Income tax benefit/(expense)	-	-
Loss from Continuing operations	(3,096,753)	(3,770,865)
Loss from discontinued operations, net of tax	(3,239,621)	(758,958)
Net loss	(6,336,374)	(4,529,823)
Less loss in noncontrolling interest	(59,163)	(51,872)
Net loss attributable to Cemtrex, Inc. shareholders	\$ (6,277,211)	\$ (4,477,951)
Loss Per Share-Basic & Diluted		
Continuing Operations	\$ (3.99)	\$ (5.64)
Discontinued Operations	\$ (4.25)	\$ (1.15)
Weighted Average Number of Shares-Basic & Diluted	761,571	659,919

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended	
	December 31,	
Cash Flows from Operating Activities	2022	2021
Net loss	\$ (6,336,374)	\$ (4,529,823)
Adjustments to reconcile net income/(loss) to net cash used by operating activities		
Depreciation and amortization	530,830	247,704
(Gain)/loss on disposal of property and equipment	(3,547)	27,170
Noncash lease expense	197,198	196,572
Change in allowance for doubtful accounts	4,510	94,588
Share-based compensation	39,842	45,371
Interest expense paid in equity shares	32,145	821,592
Accrued interest on notes payable	528,100	132,162
Amortization of original issue discounts on notes payable	441,734	325,000
Gain on marketable securities	-	21
Discharge of Paycheck Protection Program Loans	-	(971,500)

Changes in operating assets and liabilities net of effects from acquisition
of subsidiaries:

Trade receivables	(1,541,371)	2,094,282
Trade receivables - related party	(383,710)	(5,166)
Inventory	(116,942)	(1,458,595)
Prepaid expenses and other current assets	(670,974)	(144,745)
Other assets	(146,356)	(384)
Other liabilities	(225,506)	(88,266)
Accounts payable	(327,945)	(726,226)
Accounts payable - related party	(99)	-
Operating lease liabilities	(132,963)	(104,644)
Deposits from customers	416,523	205,855
Accrued expenses	974,941	(142,307)
Deferred revenue	942,502	(286,261)
Income taxes payable	(94,848)	(124,823)
Net cash used by operating activities - continuing operations	(5,872,310)	(3,633,465)
Net cash provided/(used) by operating activities - discontinued operations	2,501,426	(719,237)
Net cash used by operating activities	(3,370,884)	(4,352,702)

Cash Flows from Investing Activities

Purchase of property and equipment	(571,658)	(301,327)
Proceeds from sale of property and equipment	3,547	9,661
Net cash used by investing activities - continuing operations	(568,111)	(291,666)
Net cash provided by investing activities - discontinued operations	207,329	-
Net cash provided/(used) by investing activities	(360,782)	(291,666)

Cash Flows from Financing Activities

Payments on notes payable	(294,370)	(326,763)
Payments on bank loans	(306,550)	(305,990)
Net cash used by financing activities	(600,920)	(632,753)

Effect of currency translation	229,243	63,228
Net decrease in cash, cash equivalents, and restricted cash	(4,332,586)	(5,277,121)
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	\$ 7,370,333	\$ 11,972,430

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

Cash and equivalents	\$ 5,768,610	\$ 10,338,978
Restricted cash	1,601,723	1,633,452
Total cash, cash equivalents, and restricted cash	\$ 7,370,333	\$ 11,972,430

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for interest	\$ 126,255	\$ 126,715
Cash paid during the period for income taxes	\$ 94,848	\$ 124,823

Supplemental Schedule of Non-Cash Investing and Financing Activities

Shares issued to pay notes payable	\$ 232,145	\$ 3,288,071
Investment in right of use asset	\$ 76,506	\$ -

Investor Relations
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Source: Centrex Inc.