

February 28, 2024



# **Cemtrex Issues Shareholder Letter and Provides Corporate Update**

## **Completed Restructuring in 2023 Now Positions AIS and Vicon Segments for Continued Revenue Growth and Expanded Operating Profitability**

Brooklyn, NY, Feb. 28, 2024 (GLOBE NEWSWIRE) -- - Cemtrex Inc. (NASDAQ: CETX, CETXP), an advanced security technology and industrial services company, today issued a letter to shareholders from Chairman and CEO Saagar Govil.

To the Shareholders of Cemtrex, Inc.,

I wanted to provide you with a detailed update on Cemtrex's activities over the last several months. If you have been following our progress closely then you will know that we have made many changes to our organization with the hope that we will generate attractive returns for all of you as we go forward. I also wanted to take this opportunity to talk a little bit more in depth about our Company in a way that might provide additional insight into why management has made some of the decisions we have, and how management views the current opportunities in our portfolio.

Over the last five years we have made a number of different investments. Some have proven to be quite fruitful while others, unfortunately, have not led to great results. We cannot change the missteps we have taken, but we have certainly learned from them and learned how to avoid them in the future. While we remain bullish in the emerging opportunities that Cemtrex invested in over the last five years, like Virtual Reality and SmartDesk, it became readily apparent that we could not effectively drive the best outcomes with these long-term investments due to the enormous cash requirements and operating losses that would be required to see these through. Private companies have certain luxuries that public companies do not have when it comes to building startups, particularly in rising interest rate environments. As a result, we made the difficult but ultimately correct decision to exit these businesses.

Looking ahead, we can confidently say that the path we are on today is clearer than ever, with the highest assurance of success that we have had since the Company's inception. But what does success mean? For us, a company over the long term should be able to generate a higher return with its cash than would be possible by investing it in the S&P 500 index. Everything starts with this fundamental premise. Sadly, today there are many public companies that do not meet this test, including ours in recent years. Over the last ten years, despite making several smart decisions, we made some unforced errors which resulted in relinquishing any positive returns in our common stock that could have been realized. However, despite these setbacks we remain well poised for a positive turnaround on this front. Based on the numerous changes over the last twenty four months and restructuring of our business that we undertook in November of 2022, I am confident that we are on the right

track to start consistently driving above average returns. Let's dive into why that is the case:

With the restructuring completed Cemtrex owns two great businesses: Vicon Industries, Inc. ("Vicon") which comprises our Security segment, and Advanced Industrial Services, Inc. ("AIS") which comprises our Industrial segment.

When we make an investment, we primarily look at two measures of capital return efficiency. The first is with respect to our investment. What is the cash-on-cash return of the investment over its life compared to the S&P 500? Additionally, we look at, on an annual basis, what is the Annual Net Income against the starting FY Shareholder's Equity in the business?

We acquired AIS during our FY 2016 for a total purchase price of \$7,500,000. Out of that purchase price, Cemtrex contributed \$1,000,000 of equity, which was paid in the form of Cemtrex stock. The balance of the purchase price was financed through debt. Looking at the Net Income of the business, excluding the unusual benefits of COVID-19 relief programs like PPP that took place in 2021, the cumulative return on that investment over the eight years we have owned AIS has been \$8,628,084 or 863%. When that cumulative return is averaged over the 8 years ownership it represents a 108% annual return on Cemtrex's invested capital.

Furthermore, when we look at our second measure for this business, the annual return on equity, we see additional encouraging results. The annual return on beginning shareholder's equity for AIS, on average, over the last 8 years, again excluding PPP benefits in 2021, has been approximately 35%. This important measure encourages management to continue investing its equity into this business to drive outsized returns. Additional factors that make AIS an attractive business are: 1) approximately 70% of our sales come from repeat customers we do business with; 2) attractive 30%+ gross margins that we see further opportunity to drive higher as we grow the business; 3) the macro-economic factors in the U.S. that are driving growth, including increased infrastructure spending and reshoring of manufacturing.

For FY 2023, AIS produced strong results, with sales reaching \$25 million compared to \$21.2 million for the prior year, an increase of 18%. Additionally, operating income increased from \$.6 million in FY 2022 to \$3.1 million in FY 2023, representing a 400% increase in operating earnings for the period.

Regarding our Security segment, let's focus on our investment in Vicon of which we own 95%. Cemtrex has invested approximately \$22.95 million of its own cash into Vicon, as debt and equity, to date over the five years of ownership, including the cost of acquiring the shares of the business as well as additional investments made into the company to grow it. At the time our initial investment was made the market cap of the company was approximately \$5.5 million. Today, with the company doing \$34.7 million in annual revenue and three sequential quarters of operating profit in FY 2023, we can conservatively estimate the enterprise value of Vicon to be substantially higher than when we made our investment and our return on equity, when annualized over the 5 years of ownership, far exceeds the competing return on the S&P 500.

In FY 2023, Vicon produced significantly better results, with sales growing from \$23.8 million in FY 2022 to \$34.7 million in FY 2023, an increase of 46%. Gross Profit improved from \$8.5 million in FY 2022 to \$15.6 million in FY 2023, an increase of 85%. The operating loss at

Vicon was reduced from \$6.1 million in FY 2022 to \$0.6 million in FY 2023, a reduction of 92%, and the Company has had an operating profit three of the last four quarters.

The exciting part is that we believe relative to our current investment, limited additional capital, if any, will be required on Cemtrex's behalf to drive further growth at Vicon. Based on the continued opportunity for growth, we believe that Vicon has tremendous potential to increase its enterprise value over the next five years that would maintain or exceed the annual return on our capital. This will be accomplished primarily by driving further topline growth, increasing operating profits, and scaling Annual Recurring Revenue ("ARR") products that we believe can drive multiple expansion.

In our segment reporting we now carve out our Corporate costs, essentially the costs to manage these portfolio companies and the costs of being a public company, as a separate segment so that it is easier for our shareholders to better ascertain the underlying performance of the businesses we own. The Corporate costs today reduce our operating income meaningfully, but as we scale the business these costs will continue to remain at low levels relative to our earnings.

As legendary investor Peter Lynch said, "Often, there is no correlation between the success of a company's operations and the success of its stock over a few months or even a few years. In the long term, there is a 100% correlation between the success of a company and the success of its stock." Our goal going forward is to leverage our capital in a way to drive excellent operating results and thus deliver exceptional returns on our investments over time. We remain confident that as we stay on this path the consistent results in the business will begin to be reflected in our stock.

All the above certainly doesn't summarize all the accomplishments that have taken place within our Company this past year. We have added a number of talented employees, restructured some of our debt to give us greater flexibility for growth, completed an important acquisition at AIS, and launched several exciting products at Vicon that will set it on a path for long term success for years to come. We feel, based on the results above, that FY 2023 represents a key turning point for us, as we have a renewed focus, clarity, and resolve to deliver exceptional results going forward.

Sincerely,

Saagar Govil  
Chairman and Chief Executive Officer

## **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 Centrex, 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.centrex.com](http://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 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.

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