



Cenntro Electric Group Announces First Quarter 2023 Unaudited Financial Results

July 25, 2023

Q1 2023 Net Revenue Increased 90% to \$3.5 million

FREEHOLD, N.J.--(BUSINESS WIRE)--Jul. 25, 2023-- [Cenntro Electric Group Limited](#) (NASDAQ: CENN) ("Cenntro" or "the Company"), a leading electric vehicle technology company with advanced, market-validated electric commercial vehicles ("ECVs"), today announced its financial results for the first quarter ended March 31, 2023.

First Quarter 2023 Financial and Operating Highlights

- Net revenue of \$3.5 million increased 90% year over year attributable to higher average selling prices and expanded go-to-market strategy that includes a direct in-country sales model.
- Commenced production of the LS400, Teemak and Metro electric commercial trucks at the Company's new 100,000 sq. ft. assembly facility in Jacksonville, FL.
- Commenced production of the LS400 and Metro electric commercial trucks at the company's 40,000 sq. ft. assembly facility in Howell, NJ., in which 25,000 sq. ft. is dedicated to the LS 400 and the remaining 15,000 sq. ft. is dedicated for other models.
- Commenced assembly and production of battery packs using lithium iron phosphate ("LFP") battery cells and proprietary battery management technologies in our U.S. and German facilities for the Metro vehicle line.
- Premiered five new vehicles at the 2023 Consumer Electronics Show (CES®), one of the world's largest technology trade shows.
- Achieved certification by the California Air Resources Board for the LS400, allowing the vehicle to be considered for monetary incentives including the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project ("HVIP").
- Entered Central and Latin American markets by adding dealerships and making initial deliveries in Mexico, the Dominican Republic, Honduras, and Jamaica.

"The first quarter of 2023 was highlighted by the expansion of the Howell, New Jersey facility and the opening of the Jacksonville facility in the U.S. to support demand, large-scale deployment and sales expansion in U.S. regional markets," said Peter Wang, Chairman and Chief Executive Officer. "We continue to make solid progress towards our goal of becoming a leading designer and manufacturer of ECVs as supply chain logistics improve, including the commencement of production and assembly at five facilities globally. To align with our go-to-market strategy for new growth we expanded our EV centers by adding three in the U.S to complement EV centers in Poland, Germany, Spain, Morocco, and the Dominican Republic.

"In the U.S. our EV facilities now include a 100,000 sq. ft. facility in Jacksonville, FL dedicated to assembling the LS400, Teemak and Metro models for U.S. Southeast Region. Our expanded Howell, New Jersey Assembly facility is producing the LS400 and Metro vehicles lines predominantly for the Northeastern region of the U.S. Operations at both facilities include assembly, upfitting, and pre-delivery inspections.

"During the first quarter of 2023 we also began to assemble and produce battery packs using lithium iron phosphate ("LFP") battery cells and our proprietary battery management technologies at facilities in Germany and the U.S. By manufacturing our own battery packs, we hope to enhance supply chain efficiency, improve battery resilience, and ultimately have better control over one of the most strategic elements in our supply chain.

"Along with the launch of our U.S. production facilities, we are quickly ramping our in-country direct sales go-to-market strategy globally. The availability of Cenntro's product line and more specifically the market launch of our LS100 and LS260 allowed Cenntro and our partner-dealers to make significant market penetration. Similarly, we have made progress in Europe where Cenntro's LS100, LS200 and LS 260 now belong to the N1 vehicle class which are eligible to receive incentives in all EU countries. The incentives and subsidies in Europe vary from €780 to €7500 depending on the country and city.

"Looking ahead, we have built a strong foundation to support growth, based on a diverse lineup of all-electric vehicles and with production, distribution, and service infrastructure in place. Our expanded go-to-market model along with our direct sales model is beginning to gain traction with customers across the globe such as in the U.S., Poland, Germany, Italy, Spain, Morocco, and the Dominican Republic. In the months ahead, we are poised to accelerate commercialization and momentum," concluded Wang.

Edmond Cheng, Chief Financial Officer added, "Sales volume in the first quarter of 2023 of our electric commercial vehicles decreased 14.6% year-over-year to 129 compared to 151 in the same period of 2022. While our overall volume does not register growth, the volume for our new models, other than Metro, has grown by approximately 78% to 112 in the first quarter of 2023 from 63 in the same period last year. These new models will allow the company to participate in a much larger market segment globally than the slow-moving market segment. At the same time, we achieved an increase of net revenue by 90% to approximately \$3.5 million for the first quarter of 2023 compared to approximately \$1.8 million in the same period of 2022. The increase in net revenue is mainly attributed to approximately \$1.1 million and \$0.5 million increase in vehicle and spare-part revenue, respectively.

"The average selling price ('ASP') was approximately \$22.0 thousand in the first quarter of 2023, up 93% from approximately \$11.4 thousand in the first quarter of 2022. Our improvement in ASP was driven by our transition to an in-country direct sales model and the launch of new models including the LS100, LS200, LS260 and Teemak. As of March 31, 2023, we had approximately \$91.8 million in cash and cash equivalents on our balance sheet. We also had \$36.5 million in inventory which consisted of approximately \$24.8 million in finished goods inventory," concluded Cheng.

First Quarter 2023 Financial Results

Net Revenues

Net revenue was approximately \$3.5 million for the three months ending March 31, 2023, an increase of 90% from \$1.8 million in the first quarter of 2022. The increase was primarily due to the launch of the LS100, LS200, and LS260 in the European market and an improvement in ASP.

Gross Profit

Gross profit was approximately \$0.2 million in the first quarter of 2023, compared with gross profit of approximately \$0.4 million in the first quarter of 2022. Gross margin was 5.6% in the first quarter of 2023, compared with 19.8% in the first quarter of 2022. The decrease in our gross profit was caused by (i) the realized gross margin of our new model Logistar 200 expanding its market in Europe in 2023 was approximately 3.5% compared to a gross margin of approximately 12.7% in the same period of 2022; (ii) Our newly introduced model LS 100, LS 260, and Teemak which only began testing the market in 2023 recorded negative gross margins of approximately 3.6%, 8.4%, and 8.2%, respectively.

Operating Expenses

Total operating expenses were approximately \$10.8 million in the first quarter of 2023, compared with \$9.7 million in the first quarter of 2022. The increase was primarily driven by growth in payroll and related expenses particularly in sales and R&D engineering, increased selling expenses, and increased in design and development expenses as we expand globally as well as increased research and development expenses to broaden our product portfolio.

Net Loss Attributable to the Company's Shareholders

Net loss was approximately \$11.0 million in the first quarter of 2023, compared with net loss of \$9.3 million in the first quarter of 2022.

Balance Sheet

Cash and cash equivalents were approximately \$91.8 million as of March 31, 2023 compared with \$154.0 million as of December 31, 2022.

Adjusted EBITDA¹

Adjusted EBITDA was approximately \$(9.2) million in the first quarter of 2023, compared with Adjusted EBITDA of \$(0.8) million in the first quarter of 2022.

We define Adjusted EBITDA as net (loss)/income before net interest expense, income tax expense and depreciation and amortization as further adjusted to exclude the impact of stock-based compensation expense and non-recurring expenses. We caution investors that amounts presented in accordance with our definition of Adjusted EBITDA may not be comparable to similar measures disclosed by our industry peers because not all companies and analysts calculate Adjusted EBITDA in the same manner. We present Adjusted EBITDA because we consider it to be an important supplemental measure of our performance and believe it is frequently used by securities analysts, investors, and other interested parties in the evaluation of companies in our industry. Management believes that investors' understanding of our performance is enhanced by including this non-GAAP financial measure as a reasonable basis for comparing our ongoing results of operations.

US-GAAP NET INCOME (LOSS) TO ADJUSTED EBITDA RECONCILIATION

	Three Months Ended March 31,	
	2023	2022
(Expressed in U.S. Dollars)		
	(Unaudited)	
Net loss	\$ (11,113,977)	\$ (9,348,369)
Interest expense, net	54,415	(64,201)
Income tax expense	—	—
Depreciation and amortization	330,632	140,430
Share-based compensation expense	1,153,808	199,416
Loss on redemption of convertible promissory notes	2,001	-
Loss on exercise of warrants	212,870	-
Change in fair value of convertible promissory notes and derivative liability	126,272	-
Expenses related to one-off payment inherited from the original Naked Brand Group	-	8,299,178
Adjusted EBITDA	\$ (9,233,979)	\$ (773,546)

¹ Represents a non-GAAP financial measure.

About Cenntro Electric Group Ltd.

Cenntro Electric Group Ltd. (or "Cenntro") (NASDAQ: CENN) is a leading designer and manufacturer of electric commercial vehicles. Cenntro's purpose-built ECVs are designed to serve a variety of organizations in support of city services, last-mile delivery, and other commercial applications. Cenntro plans to lead the transformation in the automotive industry through scalable, decentralized production, and smart driving solutions empowered by the Cenntro iChassis. For more information, please visit Cenntro's website at: www.cenntroauto.com.

Forward-Looking Statements

This communication contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not historical facts. Such statements may be, but need not be, identified by words such as "may," "believe," "anticipate," "could," "should," "intend," "plan," "will," "aim(s)," "can," "would," "expect(s)," "estimate(s),"

"project(s)," "forecast(s)," "positioned," "approximately," "potential," "goal," "strategy," "outlook" and similar expressions. Examples of forward-looking statements include, among other things, statements regarding assembly and distribution capabilities, decentralized production, and fully digitalized autonomous driving solutions. All such forward-looking statements are based on management's current beliefs, expectations, and assumptions, and are subject to risks, uncertainties and other factors that could cause actual results to differ materially from the results expressed or implied in this communication. For additional risks and uncertainties that could impact Cenntro's forward-looking statements, please see disclosures contained in Cenntro's public filings with the Securities and Exchange Commission (the "SEC"), including the "Risk Factors" in Cenntro's Annual Report on Form 10-K filed with the SEC on June 30, 2023 and which may be viewed at www.sec.gov.

CENNTRO ELECTRIC GROUP LIMITED
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. dollars, except for the number of shares)

	Mach 31, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,847,734	\$ 153,966,777
Restricted cash	92,461	130,024
Accounts receivable, net	2,732,834	565,398
Inventories	36,546,917	31,843,371
Prepayment and other current assets	15,596,764	16,138,330
Deferred cost- current	20,026	-
Amounts due from related parties	343,353	366,936
Total current assets	147,180,089	203,010,836
Non-current assets:		
Long-term investment, net	5,239,512	5,325,741
Investment in equity securities	30,412,211	29,759,195
Property, plant and equipment, net	17,265,446	14,962,591
Intangible assets, net	4,558,185	4,563,792
Right-of-use assets	13,865,063	8,187,149
Deferred cost- non-current	243,251	-
Other non-current assets, net	2,306,597	2,039,012
Total non-current assets	73,890,265	64,837,480
Total Assets	\$ 221,070,354	\$ 267,848,316
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,899,119	\$ 3,383,021
Accrued expenses and other current liabilities	3,668,415	5,048,641
Contractual liabilities	2,656,151	2,388,480
Operating lease liabilities, current	2,779,279	1,313,334
Convertible promissory notes	17,903,274	57,372,827
Deferred government grant, current	56,009	26,533
Amounts due to related parties	46,900	716,372
Total current liabilities	30,009,147	70,249,208
Non-current liabilities:		
Deferred government grant, non-current	1,036,172	497,484
Derivative liability - investor warrant	12,392,632	14,334,104
Derivative liability - placement agent warrant	3,457,067	3,456,404
Operating lease liabilities, non-current	11,640,499	7,421,582
Total non-current liabilities	28,526,370	25,709,574
Total Liabilities	\$ 58,535,517	\$ 95,958,782
Commitments and contingencies		
EQUITY		

Ordinary shares (No par value; 304,449,091 and 300,841,995 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively)

Additional paid in capital	398,262,089	397,497,817
Accumulated deficit	(230,782,125)	(219,824,176)
Accumulated other comprehensive loss	(4,945,127)	(5,306,972)
Total equity attributable to shareholders	162,534,837	172,366,669
Non-controlling interests	-	(477,135)
Total Equity	\$ 162,534,837	\$ 171,889,534
Total Liabilities and Equity	\$ 221,070,354	\$ 267,848,316

CENNTRO ELECTRIC GROUP LIMITED
CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in U.S. dollars, except for number of shares)

	For the Three Months Ended March 31,	
	2023	2022
Net revenues	\$ 3,470,544	\$ 1,830,633
Cost of goods sold	(3,275,800)	(1,467,603)
Gross profit	194,744	363,030
OPERATING EXPENSES:		
Selling and marketing expenses	(1,868,985)	(1,095,108)
General and administrative expenses	(7,358,264)	(8,211,831)
Research and development expenses	(1,569,919)	(425,359)
Total operating expenses	(10,797,168)	(9,732,298)
Loss from operations	(10,602,424)	(9,369,268)
OTHER EXPENSE:		
Interest (expense) income, net	(54,415)	64,201
Income from long-term investment	19,042	5,937
Impairment of long-term investment	(1,146,128)	-
Loss on redemption of convertible promissory notes	(2,001)	-
Loss on exercise of warrants	(212,870)	-
Change in fair value of convertible promissory notes and derivative liability	(126,273)	-
Change in fair value of equity securities	653,016	-
Other income (expense), net	358,076	(49,239)
Loss before income taxes	(11,113,977)	(9,348,369)
Income tax expense	-	-
Net loss	(11,113,977)	(9,348,369)
Less: net loss attributable to non-controlling interests	(156,028)	(36,719)
Net loss attributable to the Company's shareholders	\$ (10,957,949)	\$ (9,311,650)
OTHER COMPREHENSIVE LOSS		
Foreign currency translation adjustment	337,278	253,156
Total comprehensive loss	(10,776,699)	(9,095,213)
Less: total comprehensive loss attributable to non-controlling interests	(180,595)	(57,588)
Total comprehensive loss to the Company's shareholders	\$ (10,596,104)	\$ (9,037,625)

CENNTRO ELECTRIC GROUP LIMITED
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOW
(Expressed in U.S. dollars, except for number of shares)

	For the Three Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash used in operating activities	\$ (17,363,332)	\$ (23,486,438)
CASH FLOWS FROM INVESTING ACTIVITIES:		

Purchase of equity investment	(622,917)	-
Purchase of plant and equipment	(2,577,292)	(82,799)
Purchase of land use right and property	(268,993)	-
Acquisition of CAE's equity interests	(1,924,557)	(2,843,003)
Proceeds from disposal of property, plant and equipment	-	327
Loans provided to third parties	(100,000)	(1,047,053)
Net cash used in investing activities	(5,493,759)	(3,972,528)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans to related parties	-	(1,750,367)
Repayment of loans to third parties	-	(421,222)
Purchase of CAE's loan	-	(13,228,101)
Reduction of capital	-	(13,930,000)
Redemption of convertible promissory notes	(39,583,321)	-
Payment of expense for the reverse recapitalization	-	(904,843)
Net cash used in financing activities	(39,583,321)	(30,234,533)
Effect of exchange rate changes on cash	283,806	97,755
Net decrease in cash, cash equivalents and restricted cash	(62,156,606)	(57,595,744)
Cash, cash equivalents and restricted cash at beginning of period	154,096,801	261,664,962
Cash, cash equivalents and restricted cash at end of period	<u>\$ 91,940,195</u>	<u>\$ 204,069,218</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ -	\$ 377,717
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cashless exercise of warrants	\$ 2,168,185	\$ -

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