



Cenntro Electric Group Announces Second Quarter 2023 Unaudited Financial Results

August 14, 2023

Q2 2023 Net Revenue Increased 32% to \$4.2 million

Number of Vehicles Sold Increased Sequentially by 82% to 235 Vehicles

Gross Profit Margin Increased 2,180 bps to 27.1%

Average Selling Price Increased 11% to Approximately \$18.6 Thousand

FREEHOLD, N.J.--(BUSINESS WIRE)--Aug. 14, 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 second quarter ended June 30, 2023.

Second Quarter 2023 Financial and Operating Highlights

- Net revenue of \$4.2 million increased 32% year over year.
- Sales volume increased by 26% year over year and 82% sequentially quarter over quarter to 235 vehicles.
- Average selling price ("ASP") increased 11% year over year to approximately \$18,600.
- Adjusted EBITDA for the quarter is a loss of \$12.5 million compared to a loss of \$12.2 million for Q2 2022.
- Entered collaboration agreement with EAVX, a JB Poindexter & Co Inc. Business Unit, to develop innovative and industry-leading All-Electric last mile and vocational work truck solutions.
- Achieved certification by the California Air Resources Board for the LS400 and the Metro®, allowing the vehicle to be considered for monetary incentives including the [California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project](#) ("HVIP").
- Cenntro was recognized as a Clean Vehicle Manufacturer by the U.S. Internal Revenue Service which will allow Cenntro vehicles to be eligible for vehicle tax credits of up to \$40,000 under Internal Revenue Code (IRC) 45W.
- Announced a new assembly plant in Ontario, California, scheduled to be operational in the third quarter of 2023, to position the company for future sales on West Coast, the leading market for EV adoption.
- Opened sales in the Central American and Caribbean markets with the Logistar® 100 and Logistar® 260.

"Our sales momentum in the second quarter continued to ramp up as distribution expanded from the first quarter of 2023. We also qualified as a Commercial Clean Vehicle Manufacturer with the U.S. Internal Revenue Service and the LS400 and Metro received certification from the California Air Resources Board. Both actions open our vehicles to significant incentive programs in the U.S. market," said Peter Wang, Chairman and Chief Executive Officer. Taken together, these incentive programs will make the acquisition costs of our vehicles more competitive and cost effective for businesses looking to electrify their fleets. Vehicles permitted into the HVIP program are eligible for monetary vouchers to reduce the total cost for the purchaser. This certification takes on greater significance with CARB's recent Advanced Clean Truck regulation, which will require that all local delivery and governments fleets must be zero emissions by 2036.

"Building on our first quarter results with the expansion of our vehicle lineup, the expansion of our assembly capabilities in the United States, and our qualification for government incentives in both the United States and the European Union, we are optimistic that our sales growth momentum will continue even amidst the current uncertain economic and supply chain environment.

"We continue to expand our product line to meet the diverse demand for our ECVs. During the quarter we announced a strategic partnership with EAVX, a unit of JB Poindexter & Co Inc., which will focus on the integration of their commercial truck bodies with Cenntro's All-Electric LS300 and LS400 cab chassis.

"Our recent announcement of a new facility in California will be our third assembly facility in the U.S., joining the assembly plants in Jacksonville, Florida, and Howell, New Jersey. With the certification of both the LS400 and the Metro by the California Air Resources Board, we are now ready to expand our sales in the State of California, one of the largest markets in the U.S.

"Looking ahead, we continue to position Cenntro to capture market share with a diverse and innovative lineup of all-electric vehicles, and an expanded geographic footprint for production, distribution, and service infrastructure. Combined with our hybrid EV Center and distribution partner sales model, we are beginning to gain traction with customers," concluded Wang.

Edmond Cheng, Chief Financial Officer added, "Sales volume in the second quarter of 2023 of our electric commercial vehicles increased 26% year-over-year to 235 from 186 in the same period of 2022. At the same time, we achieved an increase of net revenue of 32% to approximately \$4.2 million for the second quarter of 2023 compared to \$3.2 million in the same period of 2022. The increase in net revenue is mainly attributable to an approximately \$1.3 million increase in vehicle revenue.

"The average selling price was approximately \$18.6 thousand in the second quarter of 2023, up 11% from approximately \$16.9 thousand in the second quarter of 2022. We continue to benefit from the transition to an in-country direct sales model and the launch of new models including the LS100, LS200, LS260 and Teemak. Also, gross margin for the three months ended June 30, 2023 and 2022 was approximately 27.1% and 5.3%, respectively. The increase in our gross profit was the result of (i) a reduction in inventory write-down of \$0.6 million in the second quarter of 2022 compared to no

inventory write down in the second quarter of 2023 and (ii) the realized gross margin of the newly introduced LS260 for the three months ended June 30, 2023 which we have just begun to introduce the LS260 in Europe. We are very pleased our newly introduced models, especially the LS260, are making inroads into the European market.

"As of June 30, 2023, we had approximately \$60.4 million in cash and cash equivalents on our balance sheet. We also had \$2.6 million in accounts receivable, \$41.8 million in inventory which consisted of approximately \$29.8 million in finished goods inventory, and approximately \$30.5 million in investments in equity securities as of June 30, 2023," concluded Cheng.

Second Quarter 2023 Financial Results

Net Revenues

Net revenue was \$4.2 million for the three months ending June 30, 2023, an increase of 32% from \$3.2 million in the second quarter of 2022. The increase was primarily due to an increase in vehicle sales and an improvement in the average selling price.

Gross Profit

Gross profit was \$1.1 million in the second quarter of 2023, compared with gross profit of approximately \$0.2 million in the second quarter of 2022. Gross margin was 27% in the second quarter of 2023, compared with 5% in the second quarter of 2022. The increase of our overall gross profit was driven by less impairment of inventory recognized in the three months ended June 30, 2023 compared with the same period in 2022. Our gross margin of vehicle sales for the three months ended June 30, 2023 and 2022 was 26.4% and 2.7%, respectively. The increase in our gross profit for vehicle sales was mainly attributed to i) the realized gross margin for the Metro was approximately 17.8% for the three months ended June 30, 2023 compared to -12.8% in the same period of 2022, including an inventory write-down of approximately \$0.6 million for the period, and ii) the realized gross margin of the newly introduced Logistar@260 for the three months ended June 30, 2023.

Operating Expenses

Total operating expenses were approximately \$14.2 million in the second quarter of 2023, compared with \$14.9 million in the second quarter of 2022. While we continue to invest resources in our Marketing & Sales and Research and Development, we maintain tight control over General & Administrative Expenses. The increases in the Marketing & Sales and Research & Development expenses were offset by the reduction in the General & Administrative expenses.

Net Loss Attributable to the Company's Shareholders

Net loss was approximately \$14.1 million in the second quarter of 2023, compared with net loss of \$13.1 million in the second quarter of 2022.

Balance Sheet

Cash and cash equivalents were approximately \$60.4 million as of June 30, 2023, compared with \$154.0 million as of December 31, 2022.

Adjusted EBITDA¹

Adjusted EBITDA was approximately \$(12.5) million in the second quarter of 2023, compared with Adjusted EBITDA of \$(12.2) million in the second quarter of 2022.

We define Adjusted EBITDA as net income (or net loss) before net interest expense, income tax expense, depreciation and amortization as further adjusted to exclude the impact of stock-based compensation expense and other non-recurring expenses including expenses related to TME Acquisition, expenses related to one-off payment inherited from the original Naked Brand Group, impairment of goodwill, convertible bond issuance fee, loss on redemption of convertible promissory notes, loss on exercise of warrants, and change in fair value of convertible promissory notes and derivative liability. 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 June 30,		Six Months ended June 30,	
	2023	2022	2023	2022
(Expressed in U.S. Dollars)	(Unaudited)		(Unaudited)	
Net loss	\$ (14,077,166)	\$ (13,705,920)	\$ (25,191,143)	\$ (23,054,289)
Interest expense, net	(1,262)	(222,672)	53,153	(286,873)
Income tax expense	25,468	(48,861)	25,468	(48,861)
Depreciation and amortization	455,779	344,507	786,411	484,937
Share-based compensation expense	1,256,484	1,110,440	2,410,291	1,309,856
Loss on redemption of convertible promissory notes	(1,900)		101	-
Loss on exercise of warrants	14,745		227,615	
Change in fair value of convertible promissory notes and derivative liability	(199,697)		(73,425)	-
Expenses related to TME Acquisition		348,987		348,987
Expenses related to one-off payment inherited from the original Naked Brand Group				8,299,178
Adjusted EBITDA	(12,527,549)	(12,173,520)	\$ (21,761,529)	\$ (12,947,065)

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 CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 60,390,172	\$ 153,966,777
Restricted cash	92,461	130,024
Accounts receivable, net	2,646,333	565,398
Inventories	41,798,511	31,843,371
Prepayment and other current assets	18,339,914	16,138,330
Deferred cost- current	10,273	-
Amounts due from a related party	<u>212,320</u>	<u>366,936</u>
Total current assets	<u>123,489,984</u>	<u>203,010,836</u>
Non-current assets:		
Long-term investment, net	4,959,769	5,325,741
Investment in equity securities	30,472,663	29,759,195
Property, plant and equipment, net	18,508,847	14,962,591
Intangible assets, net	6,439,333	4,563,792
Right-of-use assets	19,734,961	8,187,149
Deferred cost - non-current	207,974	-
Other non-current assets, net	<u>2,232,206</u>	<u>2,039,012</u>
Total non-current assets	<u>82,555,753</u>	<u>64,837,480</u>
Total Assets	<u>\$ 206,045,737</u>	<u>\$ 267,848,316</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,364,228	\$ 3,383,021
Accrued expenses and other current liabilities	3,543,840	5,048,641
Contractual liabilities	3,314,661	2,388,480
Operating lease liabilities, current	4,303,890	1,313,334
Convertible promissory notes	11,904,153	57,372,827
Deferred government grant, current	53,046	26,533
Amounts due to related parties	<u>41,302</u>	<u>716,372</u>
Total current liabilities	<u>26,525,120</u>	<u>70,249,208</u>
Non-current liabilities:		

Deferred government grant, non-current	968,079	497,484
Derivative liability - investor warrant	12,205,830	14,334,104
Derivative liability - placement agent warrant	3,456,137	3,456,404
Operating lease liabilities, non-current	16,001,387	7,421,582
Total non-current liabilities	<u>32,631,433</u>	<u>25,709,574</u>

Total Liabilities	<u>\$ 59,156,553</u>	<u>\$ 95,958,782</u>
--------------------------	----------------------	----------------------

Commitments and contingencies

EQUITY

Ordinary shares (No par value; 304,449,091 and 300,841,995 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively)

	-	-
Additional paid in capital	399,517,411	397,497,817
Accumulated deficit	(244,856,609)	(219,824,176)
Accumulated other comprehensive loss	(7,770,097)	(5,306,972)
Total equity attributable to shareholders	<u>146,890,705</u>	<u>172,366,669</u>
Non-controlling interests	(1,521)	(477,135)
Total Equity	<u>\$ 146,889,184</u>	<u>\$ 171,889,534</u>
Total Liabilities and Equity	<u>\$ 206,045,737</u>	<u>\$ 267,848,316</u>

CENNTRO ELECTRIC GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	<u>For the Three Months</u> <u>Ended June 30,</u>		<u>For the Six Months</u> <u>Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net revenues	\$ 4,237,520	\$ 3,204,689	\$ 7,708,064	\$ 5,035,322
Cost of goods sold	<u>(3,090,275)</u>	<u>(3,036,237)</u>	<u>(6,366,075)</u>	<u>(4,503,840)</u>
Gross profit	1,147,245	168,452	1,341,989	531,482
OPERATING EXPENSES:				
Selling and marketing expenses	(2,742,749)	(1,531,460)	(4,611,734)	(2,626,568)
General and administrative expenses	(9,285,213)	(12,014,453)	(16,643,477)	(20,226,284)
Research and development expenses	<u>(2,143,070)</u>	<u>(1,389,153)</u>	<u>(3,712,989)</u>	<u>(1,814,512)</u>
Total operating expenses	<u>(14,171,032)</u>	<u>(14,935,066)</u>	<u>(24,968,200)</u>	<u>(24,667,364)</u>
Loss from operations	(13,023,787)	(14,766,614)	(23,626,211)	(24,135,882)
OTHER EXPENSE:				
Interest income (expense), net	1,262	222,672	(53,153)	286,873
(Loss) income from long-term investment	(148,645)	4,941	(129,603)	10,878
Impairment of long-term investment	(8,538)	-	(1,154,666)	-
Gain (loss) on redemption of convertible promissory notes	1,900	-	(101)	-
Loss on exercise of warrants	(14,745)	-	(227,615)	-
Change in fair value of convertible promissory notes and derivative liability	199,698	-	73,425	-
Change in fair value of equity securities	60,452	-	713,468	-
Other (expense) income, net	<u>(1,119,295)</u>	<u>784,220</u>	<u>(761,219)</u>	<u>734,981</u>
Loss before income taxes	(14,051,698)	(13,754,781)	(25,165,675)	(23,103,150)
Income tax (expense) benefit	<u>(25,468)</u>	<u>48,861</u>	<u>(25,468)</u>	<u>48,861</u>
Net loss	<u>(14,077,166)</u>	<u>(13,705,920)</u>	<u>(25,191,143)</u>	<u>(23,054,289)</u>
Less: net loss attributable to non-controlling interests	(2,682)	(633,922)	(158,710)	(670,641)
Net loss attributable to the Company's shareholders	<u>\$ (14,074,484)</u>	<u>\$ (13,071,998)</u>	<u>\$ (25,032,433)</u>	<u>\$ (22,383,648)</u>
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustment	<u>(2,824,971)</u>	<u>(4,078,240)</u>	<u>(2,487,693)</u>	<u>(3,825,086)</u>
Total comprehensive loss	<u>(16,902,137)</u>	<u>(17,784,160)</u>	<u>(27,678,836)</u>	<u>(26,879,375)</u>
Less: total comprehensive loss attributable to non-controlling interests	(2,683)	(483,216)	(183,278)	(540,805)
Total comprehensive loss to the Company's shareholders	<u>\$ (16,899,454)</u>	<u>\$ (17,300,944)</u>	<u>\$ (27,495,558)</u>	<u>\$ (26,338,570)</u>

CENNTRO ELECTRIC GROUP LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash used in operating activities	\$ (35,499,138)	\$ (29,071,262)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equity investment	(680,932)	-
Purchase of plant and equipment	(5,082,473)	(145,857)
Purchase of land use right and property	(2,200,559)	(9,260,497)
Acquisition of CAE's equity interests	(1,924,557)	(3,612,717)
Cash acquired from acquisition of CAE	-	1,118,700
Payment of expense for Acquisition of CAE's equity interests	-	(348,987)
Proceeds from disposal of property, plant and equipment	-	320
Loans provided to third parties	(100,000)	(5,149,884)
Repayment of loans from related parties	-	286,920
Net cash used in investing activities	(9,988,521)	(17,112,002)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans to related parties	-	(1,741,868)
Repayment of loans to third parties	-	(1,155,829)
Purchase of CAE's loan	-	(13,228,101)
Reduction of capital	-	(13,930,000)
Redemption of convertible promissory notes	(45,583,321)	-
Payment of expense for the reverse recapitalization	-	(904,843)
Net cash used in financing activities	(45,583,321)	(30,960,641)
Effect of exchange rate changes on cash	(2,543,188)	(981,467)
Net decrease in cash, cash equivalents and restricted cash	(93,614,168)	(78,125,372)
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	\$ 60,482,633	\$ 183,539,590
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 1,051,054	\$ 374,745
Income tax paid	\$ 4,903	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Right of use assets obtained in exchange for operating lease obligations	\$ -	\$ 7,613,564
Cashless exercise of warrants	\$ 2,168,185	\$ -

View source version on [businesswire.com](https://www.businesswire.com/news/home/20230814873892/en/): <https://www.businesswire.com/news/home/20230814873892/en/>

Investor Relations Contact:

MZ North America
CENN@mzgroup.us
949-491-8235

Company Contact:

PR@cenntroauto.com
IR@cenntroauto.com

Source: Centro Electric Group Ltd.