



Cenntro Announces Second Quarter 2024 Financial Results

August 14, 2024

FREEHOLD, N.J.--(BUSINESS WIRE)--Aug. 14, 2024-- [Cenntro Inc.](#) (NASDAQ: CENN) (“**Cenntro**” or “the **Company**”), a leading electric commercial vehicle company with advanced, market-validated, and purpose-built vehicles, has reported its financial and operational results for the second quarter ended June 30, 2024.

Second Quarter 2024 Financial and Operational Highlights:

- Second quarter 2024 net revenue of \$8.32 million increased 96.4% compared to \$4.24 million for the second quarter of 2023.
- U.S. sales volume increased to \$4.9 million in the second quarter of 2024 from \$33,000 for the second quarter of 2023.
- Adjusted EBITDA loss for the second quarter of 2024 of \$7.27 million compared to a loss of \$12.5 million for the second quarter of 2023.
- Sold 255 Electric Commercial Vehicles in the second quarter of 2024.
- Sold 33 Logistar™ 400 Class 4 vehicles in the U.S. market compared to zero in the second quarter of 2023.
- Sold 53 Avantier™ vehicles in Europe and South American markets in the second quarter of 2024 compared to zero in the second quarter of 2023.
- Sold 429 iChassis kits in the second quarter of 2024 compared to zero in the second quarter of 2023.
- Ontario assembly facility in California began full assembly operations in the second quarter of 2024.

Peter Wang, chief executive officer, explained: “The second quarter of 2024 demonstrated a strong cadence of Cenntro products being sold and delivered in the U.S. market. In the second quarter we sold 255 vehicles compared to 235 vehicles in the prior year period. We sold 429 units of our iChassis in the second quarter, although these units are not inclusive of the number of vehicles sold because iChassis is not considered a complete vehicle. We anticipate sales momentum will continue to build in the quarters ahead due to our sales process and growth strategy.

“During the second quarter of 2024 we continued our introduction of next-generation vehicles with the newest Logistar® series model, the Logistar® 210 (‘LS210’) being sold in the European and other global markets. The LS210 is a light duty electric commercial vehicle customized for transporting light goods in urban areas, replacing the LS200 because it meets new European regulations. We also recently received a California Air Resources Board (‘CARB’) ‘Executive Order’ and a ‘Certificate of Conformity’ from the United States Environmental Protection Agency for the Logistar® 300 model. We are working diligently to develop new vehicle models to align with the demands of the market, and keep pace with new regulations, technologies and features.

“Operationally, we established a California-based electric commercial vehicles (‘ECVs’) production and distribution assembly facility to support expanding sales in the U.S. west coast market in Ontario, California. Our California facility has full-scale production capabilities for the LS400, Metro and future vehicle models to be sold in the U.S. As of June of this year, the California facility assembled and delivered over three dozen LS400 units to west coast customers. With our expanded production capacity in California, we believe we are positioned for more efficient delivery of our EVs to the west coast market.

“Looking ahead, we will continue to build on strength of our financial and operational results in 2024 and beyond. Our focus is on expanding our geographic footprint for production, distribution, and service infrastructure. We look forward to providing additional updates in the months to come as we work to create long-term value for our stockholders,” concluded Mr. Wang.

Second Quarter 2024 Financial Results

Net Revenue

Net revenues for the three months ended June 30, 2024 were approximately \$8.3 million, an increase of 96.4% from approximately \$4.2 million for the three months ended June 30, 2023. The increase was primarily due to an increase in vehicle sales, spare parts sales, and sales of iChassis.

Gross Profit

Gross Profit for the three months ended June 30, 2024 was approximately \$1.2 million, an increase of approximately \$0.1 million from approximately \$1.1 million of gross profit for the three months ended June 30, 2023. For the three months ended June 30, 2024 and 2023, our overall gross margin was approximately 14.7% and 27.1%, respectively. Our gross margin of vehicle sales for the three months ended June 30, 2024 and 2023 was 14.2% and 26.4%, respectively. The increase of our overall gross profit was mainly caused by an increase in the gross profit of our vehicle sales and spare-part sales of approximately \$1.6 million and \$0.2 million, respectively, offset by the increase in the inventory write-down of approximately \$1.7 million.

Operating Expenses

Total operating expenses were approximately \$10.0 million in the second quarter of 2024, compared to \$14.2 million in the second quarter of 2023.

Selling and marketing expenses for the three months ended June 30, 2024, were approximately \$1.3 million, a decrease of approximately 52.4% from approximately \$2.7 million for the three months ended June 30, 2023. The decrease in selling and marketing expenses in 2024 was primarily attributed

to the decrease in salary expenses, share-based compensations and marketing expense of approximately \$1.0 million, \$0.1 million and \$0.3 million, respectively.

General and administrative expenses for the three months ended June 30, 2024 were approximately \$7.7 million, a decrease of approximately 17.6% from approximately \$9.3 million for the three months ended June 30, 2023. The decrease in general and administrative expenses in 2024 was primarily attributed to a decrease in office expenses, legal and professional fee, share-based compensation and others of approximately \$1.2 million, \$0.9 million, \$0.2 million and \$0.4 million, respectively, offset by the increase in salary and social insurance of approximately \$1.1 million. The decrease in the others category of approximately \$0.4 million mainly including the decrease of compensation insurance expense and tax expense on deposit interest income paid of \$0.4 million in the same period of 2023.

Research and development expenses for the three months ended June 30, 2024 were approximately \$1.1 million, a decrease of approximately 49.2% from approximately \$2.1 million for the three months ended June 30, 2023. The decrease in research and development expenses in 2024 was primarily attributed the decrease in design and development expenditures of approximately \$1.2 million, offset by the increase in salary expense of approximately \$0.1 million.

Net Loss

Net loss was approximately \$9.2 million in the second quarter of 2024, compared with net loss of \$14.1 million in the second quarter of 2023.

Adjusted EBITDA

Adjusted EBITDA was approximately \$(7.3) million in the second quarter of 2024, compared with Adjusted EBITDA of \$(12.5) million in the second quarter of 2023.

Six Months 2024 Financial Results

Net Revenue

Net revenues for the six months ended June 30, 2024 were approximately \$11.7 million, an increase of approximately 52.0% from approximately \$7.7 million for the six months ended June 30, 2023. The increase was primarily due to an increase in vehicle sales, spare parts sales, and sales of iChassis.

Gross Profit

Gross Profit for the six months ended June 30, 2024 was approximately \$1.2 million, a decrease of approximately \$0.1 million from approximately \$1.3 million of gross profit for the six months ended June 30, 2023. For the six months ended June 30, 2024 and 2023, our overall gross margin was approximately 10.6% and 17.4%, respectively. Our gross margin of vehicle sales for the six months ended June 30, 2024 and 2023 was 12.1% and 16.7%, respectively. The decrease of our overall gross profit was caused by the increase in inventory write-down of approximately \$1.7 million and the decrease in the gross profit of our spare-part sales and other sales of approximately \$0.1 million, offset by the increase in the gross profit of our vehicle sales of approximately \$1.7 million including approximately \$1.0 million increase in the U.S. market sale in the six months ended June 30, 2024 compared with the same period in 2023.

Operating Expenses

Total operating expenses were approximately \$19.5 million for the six months ended June 30, 2024, compared with \$25.0 million in the six months ended June 30, 2023.

Selling and marketing expenses for the six months ended June 30, 2024 were approximately \$2.6 million, a decrease of approximately \$2.0 million or approximately 43.1% from approximately \$4.6 million for the six months ended June 30, 2023. The decrease in selling and marketing expenses in 2024 was primarily attributed to the decrease in salary expenses, share-based compensation and marketing expense of approximately \$1.1 million, \$0.3 million and \$0.6 million, respectively.

General and administrative expenses for the six months ended June 30, 2024 were approximately \$14.0 million, a decrease of approximately \$2.6 million or approximately 15.8% from approximately \$16.6 million for the six months ended June 30, 2023. The decrease in general and administrative expenses in 2023 was primarily attributed to a decrease in legal and professional fee, office expenses and share-based compensation of approximately \$1.4 million, \$1.8 million and \$0.4 million, respectively, offset by the increase in salary expense of approximately \$0.9 million.

Research and development expenses for the six months ended June 30, 2024 were approximately \$2.8 million, a decrease of approximately \$0.9 million or approximately 24.2% from approximately \$3.7 million for the six months ended June 30, 2023. The decrease in research and development expenses in 2024 was primarily attributed to the decrease in design and development expenditures of approximately \$1.3 million, offset by the increase in salary expense of approximately \$0.4 million.

Net Loss

Net loss was approximately \$18.4 million in the six months ended June 30, 2024, compared with net loss of \$25.0 million in the six months ended June 30, 2023.

Balance Sheet

Cash and cash equivalents were approximately \$16.2 million as of June 30, 2024, compared with \$29.4 million as of December 31, 2023.

Adjusted EBITDA

Adjusted EBITDA was approximately \$(15.7) million in the six months ended June 30, 2024, compared with Adjusted EBITDA of \$(21.8) million in the six months ended June 30, 2023.

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,	
	2024	2023	2024	2023
(Expressed in U.S. Dollars)	(Unaudited)		(Unaudited)	
Net loss	\$ (9,193,795)	\$ (14,077,166)	\$ (18,424,018)	\$ (25,191,143)
Interest (expense) income, net	97,788	(1,262)	24,546	53,153
Income tax benefit (expense)	(4,683)	25,468	(34,715)	25,468
Depreciation and amortization	975,244	455,779	975,244	786,411
Share-based compensation expense	866,793	1,256,484	1,773,120	2,410,291
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	(9,237)	(199,698)	(8,532)	(73,425)
Adjusted EBITDA	\$ (7,267,889)	\$ (12,527,550)	\$ (15,694,354)	\$ (21,761,529)

Represents a non-GAAP financial measure.

About Cenntro

Cenntro (NASDAQ: CENN) is a leading maker and provider of electric commercial vehicles ("ECVs"). Cenntro's purpose-built ECVs are designed to serve a variety of commercial applications inclusive of its line of class 1 to class 4 trucks. Cenntro is building a globalized supply chain, as well as the manufacturing, distribution, and service capabilities for its innovative and reliable products. Cenntro continues to evolve its products capabilities through advanced battery, powertrain, and smart driving technologies. 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 SEC, including the "Risk Factors" in Cenntro's Annual Report on Form 10-K filed with the Securities and Exchange Commission on April 1, 2024 and which may be viewed at www.sec.gov.

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

	June 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,229,062	\$ 29,375,727
Restricted cash	197,682	196,170
Short-term investment	4,154,255	4,236,588
Accounts receivable, net	7,871,086	6,530,801
Inventories, net	41,271,928	43,909,564
Prepayment and other current assets	21,687,766	20,391,150
Amounts due from related parties - current	173,567	287,439
Total current assets	91,585,346	104,927,439
Non-current assets:		
Long-term investments	4,254,373	4,685,984

Investment in equity securities	26,079,485	26,158,474
Property, plant and equipment, net	20,075,860	20,401,521
Goodwill	216,403	223,494
Intangible assets, net	6,494,829	6,873,781
Right-of-use assets, net	17,590,753	20,039,625
Other non-current assets	1,454,473	2,227,672
Total non-current assets	<u>76,166,176</u>	<u>80,610,551</u>
Total Assets	<u>\$ 167,751,522</u>	<u>\$ 185,537,990</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Current liabilities:		
Accounts payable	6,630,085	6,797,852
Current portion of long-term bank loans	95,047	-
Accrued expenses and other current liabilities	4,046,031	4,263,887
Contract liabilities	5,476,006	3,394,044
Operating lease liabilities, current	4,607,925	4,741,599
Convertible promissory notes	9,951,000	9,956,000
Contingent liabilities, current	25,823	26,669
Deferred government grant, current	106,215	108,717
Amounts due to related parties	-	10,468
Total current liabilities	<u>30,938,132</u>	<u>29,299,236</u>
Non-current liabilities:		
Long-term bank loans	366,589	-
Contingent liabilities, non-current	222,763	230,063
Deferred tax liabilities	201,070	228,086
Deferred government grant, non-current	1,832,201	1,929,733
Derivative liability - investor warrant	12,186,795	12,189,508
Derivative liability - placement agent warrant	3,455,759	3,456,578
Operating lease liabilities, non-current	14,542,028	16,339,619
Total non-current liabilities	<u>32,807,205</u>	<u>34,373,587</u>
Total Liabilities	<u>\$ 63,745,337</u>	<u>\$ 63,672,823</u>
Commitments and contingencies		
EQUITY		
Ordinary shares (No par value; 30,828,795 and 30,828,778 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively)	-	-
Additional paid in capital	404,110,513	402,337,393
Accumulated deficit	(292,436,479)	(274,023,501)
Accumulated other comprehensive loss	(7,824,971)	(6,444,485)
Total equity attributable to shareholders	<u>103,849,063</u>	<u>121,869,407</u>
Non-controlling interests	157,122	(4,240)
Total Equity	<u>\$ 104,006,185</u>	<u>\$ 121,865,167</u>
Total Liabilities and Equity	<u>\$ 167,751,522</u>	<u>\$ 185,537,990</u>

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

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Net revenues	\$ 8,320,492	\$ 4,237,520	\$ 11,712,491	\$ 7,708,064
Cost of goods sold	(7,095,622)	(3,090,275)	(10,473,350)	(6,366,075)

Gross profit	1,224,870	1,147,245	1,239,141	1,341,989
OPERATING EXPENSES:				
Selling and marketing expenses	(1,306,678)	(2,742,749)	(2,623,441)	(4,611,734)
General and administrative expenses	(7,649,940)	(9,285,213)	(14,011,136)	(16,643,477)
Research and development expenses	(1,087,639)	(2,143,070)	(2,815,469)	(3,712,989)
Total operating expenses	(10,044,257)	(14,171,032)	(19,450,046)	(24,968,200)
Loss from operations	(8,819,387)	(13,023,787)	(18,210,905)	(23,626,211)
OTHER (EXPENSE) INCOME:				
Interest (expense) income, net	(97,788)	1,262	(24,546)	(53,153)
Loss from long-term investment	(3,590)	(148,645)	(17,110)	(129,603)
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)
Loss from acquisition of Hezhe	(149,872)	-	(149,872)	-
Change in fair value of convertible promissory notes and derivative liability	9,237	199,698	8,532	73,425
Change in fair value of equity securities	259,564	60,452	494,451	713,468
Foreign currency exchange loss, net	(370,462)	(1,389,294)	(729,679)	(1,356,271)
Loss (gain) from cross-currency swaps	(4,346)	-	1,587	-
Other (expense) income, net	(21,834)	269,999	168,809	595,052
Loss before income taxes	(9,198,478)	(14,051,698)	(18,458,733)	(25,165,675)
Income tax benefit (expense)	4,683	(25,468)	34,715	(25,468)
Net loss	(9,193,795)	(14,077,166)	(18,424,018)	(25,191,143)
Less: net loss attributable to non-controlling interests	(10,968)	(2,682)	(11,040)	(158,710)
Net loss attributable to the Company's shareholders	\$ (9,182,827)	\$ (14,074,484)	\$ (18,412,978)	\$ (25,032,433)
OTHER COMPREHENSIVE LOSS				
Foreign currency translation adjustment	(376,045)	(2,824,971)	(1,377,290)	(2,487,693)
Total comprehensive loss	(9,569,840)	(16,902,137)	(19,801,308)	(27,678,836)
Less: total comprehensive loss attributable to non-controlling interests	(7,700)	(2,683)	(7,844)	(183,278)
Total comprehensive loss to the Company's shareholders	\$ (9,562,140)	\$ (16,899,454)	\$ (19,793,464)	\$ (27,495,558)
Weighted average number of shares outstanding, basic and diluted *	30,828,795	30,444,909	30,828,795	30,377,615
Loss per share, basic and diluted	(0.30)	(0.46)	(0.60)	(0.82)

CENNTRO INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(Expressed in U.S. dollars, except for number of shares)

	For the Six Months Ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash used in operating activities	\$ (12,710,460)	\$ (35,499,138)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equity investment	-	(680,932)
Purchase of plant and equipment	(663,122)	(5,082,473)
Purchase of land use right and land	-	(2,200,559)
Acquisition of CAE's equity interests	-	(1,924,557)
Net of cash acquired of 60% of Hezhe's equity interests	(355,400)	-

Cash dividend from long-term investment	55,440	-
Proceeds from disposal of property, plant and equipment	39,720	-
Loans provided to third parties	-	(100,000)
Proceeds from interest and redemption of equity securities	573,441	-
Net cash used in investing activities	(349,921)	(9,988,521)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank loans	475,236	-
Repayment of bank loans	(13,600)	-
Redemption of convertible promissory notes	-	(45,583,321)
Net cash provided by (used in) financing activities	461,636	(45,583,321)
Effect of exchange rate changes on cash	(546,408)	(2,543,188)
Net decrease in cash, cash equivalents and restricted cash	(13,145,153)	(93,614,168)
Cash, cash equivalents and restricted cash at beginning of period	29,571,897	154,096,801
Cash, cash equivalents and restricted cash at end of period	\$ 16,426,744	\$ 60,482,633
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 338,415	\$ 1,051,054
Income tax paid	\$ -	\$ 4,903
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Cashless exercise of warrants	\$ -	\$ 2,168,185

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Source: Cenntro Inc.