Cemtrex, Inc. (CETX) Announces Results for Fiscal Year Ending September 30, 2018

Cemtrex achieves FY 2018 Revenues of $89,936,519 and Adjusted EBITDA of $1,658,438

Farmingdale, NY – January 2, 2018 – Cemtrex Inc. (Nasdaq: CETX, CETXP, CETXW), manufacturer of the SmartDesk, the world's most advanced workstation, and a leading multi-industry technology company that is driving innovation in a wide range of consumer and commercial sectors, announced its financial results for the fiscal year ending September 30, 2018.

HIGHLIGHTS

- Generated revenue of $89,936,519
- Adjusted EBITDA of $1,658,438
- Electronic manufacturing segment backlog of $52,000,000
- Advanced Technology segment backlog of 815 orders for flagship IoT product, SmartDesk
- Gross profit increased from 33% of revenue to 35% of revenue
- Listed on Deloitte's Fast 500 for 5th Year
- Acquired 46% of surveillance tech developer Vicon

Fiscal 2018 was both a transformational and transitional year for Cemtrex. While revenue in the electronics manufacturing (EM) segment decreased by 18% due to the loss of two customers, the EM segment currently has a $52,000,000 backlog, which should boost revenue for fiscal 2019.

The Company's Industrial Technology (IT) segment revenues were also lower, as this business segment continues to experience weakness in new orders in its environmental instruments and control products markets, both domestically and internationally. As fewer projects are being decided and awarded due to the relaxation and non-enforcement of environmental regulations under the current administration, the Company has taken steps to reduce its operating expenses to bring them in line with anticipated revenues. The Company will continue to reduce its presence in the environmental control products markets in the coming year and shift its focus into smart devices and virtual reality applications.

The Company invested heavily in R&D in fiscal 2018, spending over $5.5 million to expand its proprietary technology base including advances its smart devices and virtual and augmented reality. The Company expects these critical investments will yield strong revenue growth and higher margins as it continues its transformation from an electronics contract manufacturer to a higher-margin technology innovator.

Cemtrex's Advanced Technology (AT) segment anticipates that demand for its flagship Internet of Things (IoT) product, SmartDesk, will continue to rise as it increases its marketing efforts and as deliveries start taking place. With SmartDesk's average selling price of $5,000 per desk, the AT segment anticipates selling about 5,000 SmartDesks in fiscal 2019, thus generating an estimated $25 million in new revenue at over 30% gross margins.

In March 2018, Cemtrex acquired 46% of security technology developer Vicon, a company with a 50-year track record and annual revenues of roughly $26 million.

Results of Fiscal 2018:

- **Sales**: Net sales for the 12 months ending September 30, 2018 were $89,936,519 as compared to $120,628,299 for the 12-month period ending September 30, 2017, a decrease of 25%.

    - Cemtrex's Advanced Technology (AT) segment revenues were $1,765,106 in the fiscal year ending September 30, 2018, compared to no revenue in the fiscal year ending September 30, 2017. The Company's AT division markets software development services, and these revenues in fiscal year 2018, do not contain any sales from SmartDesks. The Company began taking reservations for the SmartDesk in May 2018, with most customers starting to receive delivery of the SmartDesk in the second quarter of fiscal 2019. The Company has received a total number of 815 reservations for SmartDesk as of December 15, 2018. The Company expects to convert these reservations into orders and thus sales in fiscal 2019.
    - The Electronics Manufacturing (EM) segment revenues in fiscal 2018 decreased by $11,527,951, or 18%, to $52,530,983 from $64,058,934 for fiscal year 2017. The primary reason for the decrease was the loss of two customers, one as a result of their consolidation and the other due to the obsolescence of their product. However, currently, the Company's EM backlog is approximately $52 million, and the Company expects sales to grow in this segment over the next 12 months.
    - The Industrial Technology (IT) segment revenues in fiscal 2018 decreased by $20,928,836, or 37%, to $35,640,430 from $56,569,266 for fiscal 2017. This decrease was primarily due to the decrease in demand for environmental control products as a result of the relaxation of environmental regulations by the current administration and globally.

- **Research and Development (R&D) Expenses:** The Company invested heavily in research and development, incurring R&D expenses of $5,558,682 in fiscal 2018. The Company had no R&D expenses in fiscal 2017. The Company plans to spend approximately $1.5 million on R&D during fiscal 2019 to increase the depth as well as range of its offering in "smart" products and virtual reality applications.

- **Gross Profit:** Gross profit for the fiscal year ending September 30, 2018 was $31,385,257, or 35% of revenues, as compared to gross profit of $39,913,552, or 33% of revenues, for the fiscal year ending September 30, 2017. The increase in gross profit percentage in the year ending September 30, 2018, as compared to the previous year, was a direct result of products and services with higher profit margins.

- **Adjusted EBITDA:** Adjusted EBITDA (non-GAAP) was $1,658,438 for the fiscal year ending September 30, 2018 as compared to $8,455,477 for the fiscal year ending September 30, 2017.

- **Net Loss**: The net loss for the 12 months ending September 30, 2018 was $10,945,717 as compared to a net income of $4,389,915 for the 12-month period ending September 30, 2017. Net loss in this period was due to (i) lower sales in the EM segment, (ii) lower sales in the IT segment, (iii) higher one-time R&D expenses, (iv) higher sales and marketing expenses due to the launch of the SmartDesk, and (v) the inclusion of Cemtrex's share of Vicon's loss (Vicon is a minority owned subsidiary).

- **Earnings per share**: Earnings per share for the 12 months ending September 30, 2018 were

($1.06) as compared to $0.31 for the 12-month period ending September 30, 2017.

Adjusted EBITDA

In the table below, the Company provides certain financial measures on both a U.S. GAAP basis and on an adjusted non-U.S. GAAP basis. These non-GAAP measures are not in accordance with or an alternative for GAAP and may be different from non-GAAP measures used by other companies. The company encourages investors to carefully consider its results under GAAP, as well as its supplemental non-GAAP information and the reconciliation between these presentations, to more fully understand its business. Reconciliations between GAAP and non-GAAP results are presented in the tables of this release.

	For the Twelve Months Ending Sept. 30 of Each Year	
	2018	**2017**
Net (loss)/income (U.S. GAAP)	-10,945,717	4,389,915
Interest expense	1,248,394	923,952
Depreciation and amortization	4,181,120	3,141,610
Stock option expense	401,300	0
Vicon equity investment loss	1,214,659	0
Research and development expenses	5,558,682	0
Adjusted EBITDA (Non-GAAP)	1,658,438	8,455,477

Earnings before interest, taxes, and depreciation and amortization (EBITDA) and Adjusted EBITDA are non-GAAP measures. In defining Non-GAAP EBITDA, the Company excludes the impact of non-cash stock-based compensation and other non-recurring items, such as R&D expenses and equity interest loss. EBITDA has limitations as an analytical tool and should not be evaluated in isolation or as a substitute for analysis of results as reported under U.S. GAAP. Management utilizes this metric as a basis for evaluating our ongoing operations, and believes investors' understanding of our performance is enhanced by including this non-GAAP financial measure as a reasonable basis for evaluating our ongoing results of operations, without the effects of interest, taxes, depreciation, and amortization and other non-recurring expenses.

Cemtrex's Chairman and CEO, Saagar Govil, commented on the results, "We had an overall decrease in sales, mainly due to lower sales in our IT segment arising from a weakness in environmental markets. However, we have reduced our ongoing expenses to bring them in line with anticipated revenues and thus expect to have positive cash flow from our legacy businesses. Our focus on the Advanced Technologies segment will start to pay off as we shift into businesses with higher margins and attractive market opportunities."

"Our progress in launching the SmartDesk and securing orders in 2018 gives us assurance to reach our strategic goal of making SmartDesk a vital part of the modern workspace globally. I am proud of our team of dedicated employees and the culture we have created that has worked hard to create and launch this revolutionary product so quickly. We continue to invest in research and development, which will reduce our earnings in the short-term but will provide long-term benefits."

"We have always taken a long-term approach to the strategy at Cemtrex and generated an extremely high return on equity on average over the last eight years as a result. Over any three-year period since 2010 we have been able to deliver exceptional results, and I expect that trend to continue well into the future. I continue to feel excited about our prospects and am highly confident the steps we are taking today will put us on pace to grow exponentially in the years to come," continued Mr. Govil.

About Cemtrex

Cemtrex, Inc. (NASDAQ:CETX) is the manufacturer of the SmartDesk, the world's most advanced workstation. Cemtrex is a diversified technology company that is driving innovation in a wide range of sectors, including smart technology, virtual and augmented realities, advanced electronic systems, industrial solutions, and intelligent security systems. Website: www.cemtrex.com

Safe Harbor Statement

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