

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q1 2022 Greenland Technologies Holding Corp Earnings Call

EVENT DATE/TIME: MAY 16, 2022 / 12:00PM GMT

CORPORATE PARTICIPANTS

Julia Qian *The Blueshirt Group Asia - Managing Director*

Raymond Wang *Greenland Technologies Holding Corporation - Chief Executive Officer*

Jing Jin *Green Technologies Holding Corporation - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Rommel Dionisio *Aegis Capital - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, thank you for standing by, and welcome to the Greenland Technologies First Quarter 2022 earnings conference call. Currently, all participants are in listen-only mode.

Later, we will conduct a question-and-answer session and instructions will follow at that time. As a reminder, we are recording today's call. If you have any objections, you may disconnect at this time. Now, I will turn the call over to Julia Qian, Managing Director of The Blueshirt Group Asia. Miss Qian, please proceed.

Julia Qian *The Blueshirt Group Asia - Managing Director*

Thank you, operator, and hello, everyone. Welcome to Greenland Technologies first quarter 2022 earnings conference call. Joining us today are Mr. Raymond Wang, Chief Executive Officer, and Mr. Jing Jin, Chief Financial Officer.

We released the results earlier today. The press release is available on the Company's IR website at <https://ir.gtec-tech.com/>, as well as from newswire services. A replay of this call will also be available in a few hours on our IR website.

Before we continue, please note that today's discussion will contain forward-looking statements made under the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements involve inherent risks and uncertainties. As such the Company's actual results may be materially different from the expectations expressed today.

Further information regarding these and other risks and uncertainties is included in the Company's public filings with the SEC. The Company does not assume any obligation to update any forward-looking statement except as required under applicable law. Also, please note that unless otherwise stated, all figures mentioned during this conference call [are in] (corrected by the company after the call) U.S. dollars. With that, let me now turn the call over to our CEO, Mr. Raymond Wang. Please go ahead, Mr. Wang.

Raymond Wang *Greenland Technologies Holding Corporation - Chief Executive Officer*

Thank you very much, Julia. And good morning, everyone. And thank you for joining us today. Let me start the call by thanking my team at Greenland Technologies for their hard work and contributions to another record quarter. Their commitment to delivering results and overcoming obstacles for the benefit of our company and our shareholders to the reason for a history of long-term profitable growth.

Now, the first quarter was a very successful quarter for the Company with record Q1 revenue generation of [29.3] (corrected by the company after the call) million and in units delivered. Despite significant global challenges such as COVID-related shutdowns in China, disrupted shipping and supply chains, and high logistic and material costs, our teams have continued meeting client demand and accomplished our best ever first quarter transmission deliveries of [41,902] (corrected by the company after the call) units.

Now, the success of our component business, this quarter and throughout last year, has been a reflection of the effective execution of our strategies. However, this year continues to introduce new and unpredictable challenges that impact the overall global market that may impact our business in the immediate term such as COVID-related shutdowns, supply constraints, and the geopolitical instability in Eastern Europe.

Though our facilities have not been directly impacted, COVID-related shutdowns may affect the ability of our suppliers and clients to operate their own facilities, resulting in an impact to production and sales. We will continue to do what we can to maintain full

production capability and continue to deliver innovative solutions to our clients to help maintain their business during these challenging times.

Now, the component business still accounts for a majority of our business revenue. Regarding our electric industrial heavy equipment business, we have sold nearly three dozen units of industrial equipment. Unfortunately, our electric industrial equipment deliveries have been impacted by supply interruptions and components shortages that have lengthened the delivery wait times longer than we expected.

Fortunately, we remained on track with the establishment of our first assembly site in Maryland. In fact, we recently announced that we have executed a lease for a site in Baltimore County, Maryland, and we will secure the location in mid-June. We expect the site to be operational in July.

It's going to take a few quarters to get the site running at full steam. But when it does, we expect the facility to produce over 500 heavy industrial units per year, and thus, improving our equipment delivery times.

Our prospective clients have also been facing longer installation times for on-site charging stations to power electrical equipment such as ours. This has added additional pressure to our sales process to close outstanding leads.

As a result, we have been actively exploring opportunities with both domestic and international charging solution OEMs to improve local availability, enhance education, and to support a simpler process for on-site charging installations. We will have more to share shortly.

In the interim, we have placed a greater emphasis on our sales team to secure paid equipment reservations. And despite these challenges, interest in our equipment remain strong as business continues to embrace the benefits of electrification of their industrial equipment, primarily driven by sustainable environmental awareness and a rising fossil fuel costs.

This demand will continue to grow as additional legislation is passed introducing a stricter environmental governance policy requirements, such as the upcoming SEC at NASDAQ environmental reporting requirements, and new consumer incentives, such as Maryland's recently passed Clean Cars Act of 2022 that offers a state grant to subsidize 20% of the purchase price for electric industrial heavy equipment such as ours.

We applaud Maryland Governor, Hogan, Senate, and House for their leadership and commitment for a cleaner, healthier environment and economy. And we expect other states to follow their example and adopt similar programs. And these policies will further strengthen our efforts to convert the industrial vehicle market to our cleaner and more sustainable alternatives.

And we have recently launched a new brand for clean industrial heavy equipment division, HEVI, H-E-V-I, HEVI. HEVI will replace Greenland machinery and provide better clarity between our components and industrial EV business.

In addition, HEVI is a better reflection of our business philosophy, mission, and culture with an American bison emblem that embodies both the strength and power possessed by our equipment, and a symbol of America's beauty, nature, and recovery of what was almost lost.

The launch of HEVI initiates a marketing campaign that will raise brand awareness across online, print, and in-person channels. Our stock price has been depressed year-to-date, but I strongly believe it does not accurately reflect the value and growth potential of our business as illustrated in our results.

Our fundamental business continues to grow, despite a challenging environment and our electric industrial equipment business continues to progress on track and open new growth opportunities for the business.

Despite the volatility of recent markets and global constraints, Greenland is well positioned to continue delivering value to our clients and shareholders into the long-term. And with that, let me turn the call over to our CFO, Jing Jin, to provide greater details into our

financial performance. The floor is yours, JJ.

Jing Jin *Green Technologies Holding Corporation - Chief Financial Officer*

Thank you, Raymond. And thank you everyone for joining our call today. I will now review financial highlights from the first quarter of 2022. We are encouraged with our results in a quarter again challenged by global headwinds impacting all aspects of our business.

We achieved 19% year-over-year revenue growth in the first quarter to 29.3 million U.S. dollars, with 19% year-over-years net income growth, and a 30% increase in our cash balance. This brings us added confidence and flexibility, as we continue to prioritize investments in R&D innovation and revenue generation.

We expected the global headwinds will remain [a challenge] (corrected by the company after the call) over the near term, but we believe longer term Greenland is well on track for market share gains in the electric industrial vehicle market while creating significant value for shareholders.

Along with the increase in sales volume, our cost of goods sold rose 18% to [22.9] (corrected by the company after the call) million U.S. dollars. Gross profit was 6.4 million U.S. dollars, an increase of 25% from 5.1 million U.S. dollars in the first quarter of 2021. Gross Margin gained 100 basis points to 21.7% from 20.7% in the prior year as the Company executed its strategic shift towards higher value and more sophisticated products such as hydraulic transmission products.

Total operating expenses increased 33% to 3 million U.S. dollars as we continue our investments in pursuing higher revenue levels and targeted long-term growth. Despite the increase, we held operating expenses at 10.2% of total revenues, which was only up 1.1 percentage points from the previous year.

Within that, selling expenses increased 69% to 0.6 million U.S. dollar. General and administration expenses increased 40% to 1.3 million and research and development expenses increased 13% to 1.1 million U.S. dollars.

We then generated income of 3.4 million U.S. dollars from operations, up 18% from the first quarter of 2021. Leveraging our strong sales and effective expense management, net income was 2.9 million U.S. dollars, an increase of 19% from 2.4 million U.S. dollars in the prior year.

Looking ahead, we remain committed to executing our long-term business strategy to capture growth in the [electric] (corrected by the company after the call) industrial vehicle sector and drive higher revenue and profit levels. That concludes our prepared remarks. Operator, we can now open the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). I show our first question comes from the line of Rommel Dionisio from Aegis Capital. Please go ahead.

Rommel Dionisio *Aegis Capital - Analyst*

Good morning. Thanks very much for taking my question. Despite all the challenges you guys are facing on a macro basis, 19% top line growth is really a stellar performance.

I know you touched on it in the prepared comments, but I wonder if you could just give a little more granularity in terms of the key drivers behind that growth. I mean, you're getting market share, presume in China, affected your supply chain management. What are you guys doing so much better than the competition to gain market share, to manage that supply chain, despite all the headwinds you guys are facing? Thanks.

Raymond Wang Greenland Technologies Holding Corporation - Chief Executive Officer

Sure, absolutely. JJ, let me take that one, and then you can add on if necessary. But Good morning, Rommel.

So from our position as a market leader in our component space, this has actually afforded us the luxury to have stronger, more established relationships with our supply partners, that our competitors are not able to just create overnight.

And this has been very strong, our long-term relationships, working with our partners to navigate the obstacles that have presented themselves thus far, such as the global pandemic and working with them to be able to address pricing concerns and being able to source raw material and components. We work together hand in hand with our suppliers to be able to overcome these and we're extremely proud of that.

But from a macro standpoint, this has definitely been a very challenging year with many unexpected twists and turns along the way, but we will continue to work hand in hand with our suppliers to ensure that we can meet the demands of our clients where we can.

Rommel Dionisio Aegis Capital - Analyst

Okay. Maybe just a quick follow-up if I could. Maryland is very much on track to get up and running here in the next few weeks actually. Just one question there, labor. I know that's been fairly tight in a national basis. Could you just maybe give a little commentary on the labor situation there, if the hiring is on pace to get to where you need to be here in the next few weeks or months? Thanks.

Raymond Wang Greenland Technologies Holding Corporation - Chief Executive Officer

Of course. One of the reasons why we selected Maryland was their strong support network and a talented workforce available in the Baltimore County area in particular that we're setting our first play at.

And we actually are working hand in hand with the Department of Labor of Maryland to be able to staff our facility and meet the needs from a labor standpoint. We have had initial talks on that front. And it's actually been very strong. Well, from a candidate standpoint.

And what we've been seeing is the labor market in 2022, overall, has been an improvement in the U.S. compared to 2021. Though labor costs are still at a very high rate, overall, labor force looking to actually work is there and significantly improved. So though the costs are high, we are getting a large number of applicants.

And through partnership with the Department of Labor of Maryland, and as it happened to their networks through various universities, colleges, technical schools, and recruiting agencies, we're very optimistic that we'll have no concern meeting our labor needs for Maryland.

Rommel Dionisio Aegis Capital - Analyst

Great. Thanks and congratulations on the quarter.

Raymond Wang Greenland Technologies Holding Corporation - Chief Executive Officer

Thank you.

Operator

(Operator Instructions). Let me turn the call back to Mr. Wang for closing remarks.

Raymond Wang Greenland Technologies Holding Corporation - Chief Executive Officer

Sure, thank you very much. And, everyone, I just want to thank everyone on the call for participating today and for your continued support. I'm going to repeat some comments that JJ and I made during this call. But in closing, I just want to emphasize that the first quarter of this year was a very strong quarter for us, for Greenland with 19% year-over-year revenue growth, a 19% increase in net income, and a 30% increase in our cash balance.

And this growth demonstrates the capabilities and value we have here at Greenland. And we have made significant process in our

manufacturing strategy, new product introductions, our rebranding efforts, and the build out to future revenue-generating teams and divisions, which demonstrates our commitment and our capability to stay on track for long-term growth for the Company.

And while the global headwinds are expected to remain challenging throughout this year, we are focused on these long-term goals. And Greenland is on track to become the market leader in the electric industrial vehicle market. And this is a massive growth opportunity for our company and for our shareholders.

So we appreciate everyone's continued interest and look forward to continue to update you with our progress as we move forward into our next quarter. But for that, I just want to say thank you very much for joining today's call.

Operator

Thank you all again. This concludes the call. You may now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2022 Refinitiv. All Rights Reserved.