SunCar Technology Group Inc. Announces Its Operational Results for the Fiscal Year 2022

July 3, 2023

Total Revenues Increases to $282.4 million

NEW YORK, July 03, 2023 (GLOBE NEWSWIRE) -- SunCar Technology Group Inc. ("SunCar" or the "Company") (Nasdaq: SDA), a leading provider of digitalized enterprise automotive after-sales services and online auto insurance intermediation service in China, today announced its financial results for the fiscal year ended December 31, 2022.

Full Year 2022 Financial Highlights

- Total revenues increased by 13% to $282.4 million for the fiscal year 2022 from $249.2 million in the fiscal year of 2021.
- Operating loss was $12.6 million, compared to operating profit of $10.4 million in the fiscal year of 2021.
- Net loss was $11.9 million, representing a decrease of 34% from $18.1 million in the fiscal year of 2021.
- Net cash used in operating activities of continuing operations was $16.1 million, compared to $19.1 million in the fiscal year of 2021.

Fiscal Year 2022 Operational Highlights

- As of December 31, 2022, the Company was working with over 1,300 enterprise clients, over 45,000 after sales service providers, 85 insurance companies, over 740 insurance company branches and over 62,000 insurance sales partners.

Management Commentary

Mr. YE Zaichang, Chairman & CEO of SunCar, commented, "We are glad to report our first fiscal year results as a public company. In 2022, we successfully executed our sustainable growth strategy, further strengthening our leadership in automotive after-sales services and the online automobile insurance intermediation market throughout China, especially in the new energy vehicle ("NEV") segment. During 2022, we faced sustained headwinds from the ongoing impact COVID-19 throughout China, but we are proud that our core business model was able to sustain and expand our overall company's growth during these difficult times. We attribute our solid operational results and the consolidation of our leadership position in China to an increased institutional partner base, expanded network and new service initiatives. Additionally, we made significant strides in improving our operational platform by increasing efficiencies and will keep this improvement heading into 2023, as we believe this is one of the most important element to maintain a healthy balance sheet."

"Looking into 2023, we plan to continuously grow strategic cooperation with leading NEV companies, expand supplier network, and invest in technologies which will further solidify our leading position in China and assist us in operating our diverse platform more effectively and efficiently."

Recent Developments

In February 2023, after three years' productive cooperation, the Company renewed its insurance intermediation service agreement with NIO Inc., one of China's largest electric car manufacturers, to continue optimizing its full-spectrum insurance solutions and innovative services provided to NIO and its customers. In the first half of 2023, the Company initiated insurance intermediation service with three other NEV companies, namely JIDU Auto, Leap Motor, and Yudo Auto. So far, the Company has established insurance intermediation service with 17 new energy vehicle (NEV) and smart car panel players.

Full Year 2022 Financial Results

Total revenues in the fiscal year of 2022 were $282.4 million, representing an increase of 13% from $249.2 million in the fiscal year of 2021. The year-over-year increase was mainly due to the growth in each of the Company's business units.

Revenue from automotive after-sales service in the fiscal year of 2022 increased by 6% to $199.3 million from $187.9 million in the fiscal year of 2021. The increase was driven by increased service orders in 2022. During the year, SunCar further developed its extensive service network, served more enterprise clients, and completed more automotive after-sales services orders.

Revenue from insurance intermediation service in the fiscal year of 2022 increased by 19% to $67.6 million from $56.8 million in the fiscal year of 2021. The increase was driven by the increasing number of insurance policies sold in 2022. In addition, the Company's insurance intermediation business expanded rapidly as NEVs' sale increased sharply in recent years. While average commission rate for the year ended December 31, 2022 decreased by 30% compared with the year of 2021 due to the regulation requirement and normal market fluctuation, such decrease was offset by the increase in the number of insurance policies sold for NEVs which increased 77% as compared with those for the year ended December 31, 2021.

Revenue from technology service in the fiscal year of 2022 increased by 237% to $15.5 million from $4.6 million in the fiscal year of 2021. Technology service is a new business focus for SunCar which began in 2021. The year-over-year increase was due mainly to SunCar's continuous expansion in market share, and its increased IT infrastructure and business capacity for this business line. Gross margin increased from 37.07% in 2021 to 40.94% in 2022.

Operating costs and expenses in the fiscal year of 2022 increased by 23% to $295.0 million from $238.9 million in the fiscal year of 2021. The increase was generally in line with revenue growth and a one-off bad debt provision due to the impact of COVID-19 to the auto industry.

Integrated service cost in the fiscal year of 2022 increased by 6% to $166.8 million from $156.9 million in the fiscal year of 2021. The increase was in line with the increase in automotive after-sales service revenue.

Promotional service costs in the fiscal year of 2022 increased by 19% to $65.5 million from $55.2 million in the fiscal year of 2021. The increase was in line with the increase in insurance intermediation service revenue.

Selling expenses in the fiscal year of 2022 increased by 29% to $16.5 million from $12.7 million in the fiscal year of 2021, primarily due to the increase in the marketing expense of $4.4 million for the technology service business.

General and administrative expenses in the fiscal year of 2022 increased by 262% to $37.7 million from $10.4 million in the fiscal year of 2021. The increase was primarily due to the bad debt provision of $26.0 million for the year ended December 31, 2022, considering that the collectability of accounts receivables with long aging was remote after some customers suffered great pressure of cash flow due to the impact of COVID-19 in 2022.

Research and development expenses in the fiscal year of 2022 increased by 132% to $8.5 million from $3.7 million in the full year of 2021, primarily due to more research expenditures on the software used in the insurance intermediation service and technology service.

Operating loss in the fiscal year of 2022 was $12.6 million, compared to an operating profit of $10.4 million in the fiscal year of 2021, primarily due to a one-off bad debt provision of $26 million for the year ended December 31, 2022, as a result of the impact from COVID-19 to the auto industry in China in 2022. During the COVID-19 pandemic, some customers suffered significant cash flow pressure and were unable to pay on time or needed to extend the payment schedule for accounts receivable. The management considered the collectability of the accounts receivable based on conservative estimates, calculating the bad debt provision.

Net loss in the fiscal year of 2022 was $11.9 million, representing a decrease of 34% from $18.1 million in the fiscal year of 2021.

Net loss from continuing operations attributable to ordinary shareholders in the fiscal year of 2022 was $5.7 million, compared to net income from continuing operations attributable to ordinary shareholders of $3.9 million in the fiscal year of 2021.

Basic and diluted net loss per share in the fiscal year of 2022 were both $0.03, compared to basic and diluted net loss per share of $0.11 in the fiscal year of 2021.

As of December 31, 2022, the aggregate amount of the Company's **cash and cash equivalents** was $47.7 million.

Net cash used in operating activities in the fiscal year of 2022 was $16.1 million, compared to $19.1 million in the fiscal year of 2021.

Exchange Rate

This announcement contains translations of certain RMB amounts into U.S. dollars ("USD") at specified rates solely for the convenience of the reader. Unless otherwise stated, all translations from RMB to USD were made at the rate of RMB6.8972 to US$1.00, the noon buying rate in effect on December 30, 2022, in the H.10 statistical release of the Federal Reserve Board. The Company makes no representation that the RMB or USD amounts referred could be converted into USD or RMB, as the case may be, at any particular rate or at all. For analytical presentation, all percentages are calculated using the numbers presented in the financial statements contained in this earnings release.

About SunCar Technology Group Inc.

Originally founded in 2007, SunCar is transforming the customer journey for car insurance and aftermarket services in China, the largest passenger vehicle market in the world. SunCar develops and operates online platforms that seamlessly connect drivers with a wide range of automotive services and insurance coverage options from a nationwide network of provider partners. As a result, SunCar has established itself as the leader in China for B2B automotive after-sales services and the online insurance market for electric vehicles. The company's multi-tenant, cloud-based platform empowers its enterprise clients to optimally access and manage their customer database and offerings, and drivers gain access to hundreds of services from thousands of independent providers in a single application.

Forward-Looking Statements

This press release contains information about the Company's view of its future expectations, plans and prospects that constitute forward-looking statements. Actual results may differ materially from historical results or those indicated by these forward-looking statements as a result of a variety of factors including, but not limited to, risks and uncertainties associated with its ability to raise additional funding, its ability to maintain and grow its business, variability of operating results, its ability to maintain and enhance its brand, its development and introduction of new products and services, the successful integration of acquired companies, technologies and assets into its portfolio of products and services, marketing and other business development initiatives, competition in the industry, general government regulation, economic conditions, dependence on key personnel, the ability to attract, hire and retain personnel who possess the technical skills and experience necessary to meet the requirements of its clients, and its ability to protect its intellectual property. The Company's encourages you to review other factors that may affect its future results in the Company's annual reports and in its other filings with the Securities and Exchange Commission.

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CONSOLIDATED BALANCE SHEETS

(In U.S. Dollar thousands, except for share and per share data, or otherwise noted)

	As of December 31,	
	2021	**2022**
ASSETS		
Current assets		
Cash	$ 34,517	$ 21,200
Restricted cash	2,830	2,717
Short-term investments	29,147	26,544
Accounts receivable, net	85,637	85,619
Prepaid expenses and other current assets, net	5,740	9,270
Current assets of discontinued operations	3,875	-
Total current assets	**161,746**	**145,350**
Non-current assets		
Long-term investment	314	290
Software and equipment, net	10,739	18,491
Deferred tax assets, net	12,086	13,070
Other non-current assets	24,385	14,423
Right-of-use assets	-	344
Non-current assets of discontinued operations	5,000	-
Total non-current assets	**52,524**	**46,618**
TOTAL ASSETS	**$ 214,270**	**$ 191,968**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term loan	$ 69,030	$ 74,653
Accounts payable	31,491	24,200
Deferred revenue	1,901	3,569
Tax payable	2,505	2,042
Accrued expenses and other current liabilities	2,887	4,849
Amount due to a related party	-	45,564
Operating lease liability-current	-	315
Current liabilities of discontinued operations	27,334	-
Total current liabilities	**135,148**	**155,192**
Non-current liabilities of discontinued operations	**52,659**	**-**
Total liabilities	**$ 187,807**	**$ 155,192**
Commitments and contingencies (Note 20)		
Shareholders' deficit		
Ordinary shares (par value of US$0.00005 per share; 746,578,037 shares authorized as of December 31, 2021 and 2022; 225,000,000 shares issued and outstanding as of December 31, 2021 and 2022, respectively)	$ 11	$ 11
Convertible Preferred shares (par value US$0.00005; 45,614,646 Series A preferred shares, 27,053,437 limited Series A preferred shares and 121,000,531 Series B preferred shares authorized, issued and outstanding as of December 31, 2021 and 2022, respectively)	10	10
Additional paid in capital	75,091	95,751
Accumulated deficit	(92,911)	(99,580)
Accumulated other comprehensive loss	(3,637)	(1,476)
Total AUTO SERVICES GROUP LIMITED's shareholders' deficit	**(21,436)**	**(5,284)**
Non-controlling interests	47,899	42,060
Total equity	**26,463**	**36,776**
TOTAL LIABILITIES AND EQUITY	**$ 214,270**	**$ 191,968**

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In U.S. Dollar thousands, except for share and per share data, or otherwise noted)

	For the years ended December 31,		
	2020	**2021**	**2022**
Revenues			
Automotive after-sales service	$ 154,238	$ 187,880	$ 199,294
Insurance intermediation service	84,161	56,766	67,640
Technology service	526	4,589	15,479
Total revenues	**238,925**	**249,235**	**282,413**
Operating cost and expenses			
Integrated service cost	(131,932)	(156,852)	(166,793)
Promotional service expenses	(79,515)	(55,222)	(65,500)
Selling expenses	(6,835)	(12,731)	(16,477)
General and administrative expenses	(7,780)	(10,420)	(37,742)
Research and development expenses	(5,029)	(3,651)	(8,478)
Total operating costs and expenses	**(231,091)**	**(238,876)**	**(294,990)**
Operating profit/(loss)	**7,834**	**10,359**	**(12,577)**
Other income/(expenses)			
Financial expenses, net	(2,100)	(3,045)	(3,659)
Investment income	255	759	441
Other income, net	2,385	2,457	5,121
Total other income, net	**540**	**171**	**1,903**
Income/(loss) before income tax expense	8,374	10,530	(10,674)
Income tax expense	(1,752)	(938)	(231)
Income/(Loss) from continuing operations, net of tax	**6,622**	**9,592**	**(10,905)**
Discontinued operations:			
Net loss from the operations of the discontinued operations, net of tax	(16,397)	(27,682)	(994)
Net loss	**(9,775)**	**(18,090)**	**(11,899)**
Net income/(loss) from continuing operations	6,622	9,592	(10,905)
Less: Net income/(loss) attributable to non-controlling interests of continuing operations	3,219	5,650	(5,230)
Net income/(loss) from continuing operations attributable to SunCar's ordinary shareholders	**3,403**	**3,942**	**(5,675)**
Loss from discontinued operations, net of tax	(16,397)	(27,682)	(994)
Less: Net loss attributable to non-controlling interests of discontinue operations	(1)	(19)	-
Net loss from discontinued operations attributable to SunCar's ordinary shareholders	**(16,396)**	**(27,663)**	**(994)**
Net loss attributable to SunCar's ordinary shareholders	**(12,993)**	**(23,721)**	**(6,669)**
Net income/(loss) per ordinary share from continuing operations:			
Basic	$ 0.01	$ 0.01	$ (0.03)
Diluted	$ 0.01	$ 0.01	$ (0.03)
Net loss per ordinary share from discontinued operations:			
Basic and diluted	$ (0.07)	$ (0.12)	$ (0.00)
Net loss attributable to SunCar's ordinary shareholders per ordinary share			
Basic and diluted	$ (0.06)	$ (0.11)	$ (0.03)

Weighted average shares outstanding used in calculating basic and diluted loss per share			
Basic and diluted	225,000,000	225,000,000	225,000,000
Weighted average shares outstanding used in calculating basic and diluted income per share			
Basic and diluted	418,668,614	418,668,614	418,668,614
Income/ (loss) from continuing operations before non-controlling interests	6,622	$ 9,592	(10,905)
Loss from discontinued operations, net of tax	(16,397)	(27,682)	(994)
Net loss	**(9,775)**	**(18,090)**	**(11,899)**
Other comprehensive income/(loss)			
Foreign currency translation difference	1,195	907	(2,410)
Total other comprehensive income/(loss)	1,195	907	(2,410)
Total comprehensive loss	**(8,580)**	**(17,183)**	**(14,309)**
Less: total comprehensive income/(loss) attributable to non-controlling interest	4,791	6,839	(9,801)
Total comprehensive loss attributable to the AUTO SERVICES GROUP LIMITED's shareholders	**(13,371)**	**$ (24,022)**	**(4,508)**

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. Dollar thousands, except for share and per share data, or otherwise noted)

	For the years ended December 31,		
	2020	**2021**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income/(loss) from continuing operations	$ 6,622	$ 9,592	$ (10,905)
Net loss from discontinued operations	(16,397)	(27,682)	(994)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Provision for doubtful accounts	39	148	25,981
Depreciation and amortization	1,613	4,055	5,078
Amortization of right-of-use assets	-	-	619
Share-based compensation of subsidiary	520	1,668	1,599
Loss on disposal of software and equipment	29	27	-
Deferred income tax benefit	(2,333)	(1,124)	(1,951)
Changes in operating assets and liabilities:			
Accounts receivable, net	1,531	(35,071)	(32,640)
Prepaid expenses and other current assets	(4,065)	3,181	(3,850)
Accounts payable	53	13,608	(5,019)
Deferred revenue	(2,419)	813	1,858
Accrued expenses and other current liabilities	8,356	(14,976)	2,548
Tax payable	1,582	(1,026)	(280)
Operating lease liabilities	-	-	(615)
Amount due to related parties	-	-	1,485
Net cash provided by (used in) operating activities of continuing operations	**11,528**	**(19,105)**	**(16,092)**
Net cash provided by (used in) operating activities of discontinued operations	**7,104**	**(6,462)**	**(52)**
Total net cash provided by (used in) operating activities	**18,632**	**(25,567)**	**(16,144)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of software and equipment	(9,488)	(1,284)	(4,351)
Purchase of short term investment	(10,084)	(9,839)	-
Purchase of long-term investment	(297)	-	-
Proceeds from the redemption of short term investment	-	-	149
Purchase of other non-current assets	(9,168)	(8,968)	(1,200)
Net cash used in investing activities of continuing operations	**(29,037)**	**(20,091)**	**(5,402)**
Net cash used in investing activities of discontinued operations	**(126)**	**(591)**	**(517)**
Total net cash used in investing activities	**(29,163)**	**(20,682)**	**(5,919)**

CASH FLOWS FORM FINANCING ACTIVITIES			
Proceeds from short-term bank loans	77,722	76,812	122,249
Repayments of short-term bank loans	(60,036)	(70,193)	(111,103)
Contribution from non-controlling shareholders	33,097	-	-
Repurchase of non-controlling interests	(1,090)	(1,184)	(510)
Dividend paid to non-controlling shareholders	-	(6,620)	-
Net cash provided by (used in) financing activities of continuing operations	**49,693**	**(1,185)**	**10,636**
Net cash (used in) provided by financing activities of discontinued operations	**(5,816)**	**1,119**	**-**
Total net cash provided by (used in) financing activities	**43,877**	**(66)**	**10,636**
Effect of exchange rate changes	3,098	1,827	(2,573)
Net change in cash and restricted cash	36,444	(44,488)	(14,000)
Cash and restricted cash, beginning of the year	**$ 45,961**	**$ 82,405**	**$ 37,917**
Cash and restricted cash, end of the year	**$ 82,405**	**$ 37,917**	**$ 23,917**
Less: cash of discontinued operations at end of year	2,856	570	-
Cash and restricted cash at end of year for continuing operations	**$ 79,549**	**$ 37,347**	**$ 23,917**
Reconciliation of cash and restricted cash to the consolidated balance sheets:			
Cash	$ 76,883	$ 34,517	$ 21,200
Restricted cash	$ 2,666	$ 2,830	$ 2,717
Total cash and restricted cash	$ 79,549	$ 37,347	$ 23,917
Supplemental disclosures of cash flow information:			
Income tax paid	$ 2,309	$ 3,472	$ 2,459
Interest expense paid	$ 2,485	$ 3,087	$ 3,780
Supplemental disclosures of non-cash activities:			
Disposal of Shengda Group	-	-	23,222
Decrease of accrued expenses and other current liabilities due to vest of restricted shares	$ -	$ 311	$ 311
Purchase of software and equipment by using accrued expenses and other current liabilities	$ 1,720	$ -	$ -
Obtaining right-of-use assets in exchange for operating lease liabilities and prepaid expenses	$ -	-	$ 972
Software and equipment transferred from other non-current assets	$ -	-	$ 12,150