SunCar Technology Reports 27% Revenue Growth, Including 55% Increase in Auto e-Insurance Business and Over 250% Increase in the Number of Electric Vehicle Insurance Policies in 1H 2024

September 16, 2024

Adjusted EBITDA Increased to $6.4 Million for the First Half of 2024

Conference Call and Webcast on September 16th at 8 AM ET

NEW YORK, Sept. 16, 2024 /PRNewswire/ -- SunCar Technology Group Inc. (the "Company" or "SunCar") (NASDAQ: SDA), an innovative leader in cloud-based B2B software-focused auto services and auto e-insurance in China, today provided a business update and reported financial results for the first half of fiscal year 2024.

First Half 2024 Financial Results

- Total revenue increased by 27% to $203.1 million for the six months ended June 30, 2024, from $159.4 million for the six months ended June 30, 2023.
    - Auto Services ' revenue increased by 9% to $107.5 million for the six months ended June 30, 2024, from $98.8 million for the six months ended June 30, 2023. The increase was driven by an increase in the number of completed service orders and the addition of new enterprise clients. This segment leverages SunCar's software platform, facilitating a wide variety of auto services such as car wash, airport pickup, concierge services, courtesy car, and roadside assistance.
    - Auto eInsurance revenue increased by 55% to $73.7 million for the six months ended June 30, 2024, from $47.7 million for the six months ended June 30, 2023, which was driven by the increased number of insurance policies sold in the six months ended June 30, 2024.
        - **SunCar ranked First in China in selling auto insurance premiums tailored to EV owners.** EV sales increased rapidly in the first half of the year, and our auto insurance business expanded rapidly.
        - Customer growth remained strong, as demonstrated by an over 250% increase in new insurance policies.
    - Technology Services revenue increased by 70% to $21.9 million for the six months ended June 30, 2024, from $12.9 million for the six months ended June 30, 2023. This increase was due to an increased demand from insurance companies and their sales partners for our software, which streamlines workflows, manages customer relationships, and automates order processing. The Company's ongoing technology upgrades and use of a private cloud platform have simplified development and enhanced service capacity, enabling this rapid growth.
- Operating costs and expenses increased to $261.7 million for the six months ending June 30, 2024, and $158.3 million for the six months ending June 30, 2023. Of the $261.7 million in operating costs and expenses, $62.8 million were related to the Company's Equity Incentive Plan.
- Integrated service costs rose by 22%, from $87.9 million in the first half of 2023 to $107.6 million in 2024. These increases align with the growth in revenue from our Auto Services business and the significant expansion in our Technology Services business.
- Selling expenses decreased by 20%, from $12.8 million in the first half of 2023 to $10.2 million in 2024. This $1.8 million decrease in on-site promotion expenses was driven by the synergistic growth between our auto service and auto eInsurance business lines, which enhanced promotion efficiency.
- General and administrative expenses increased from $4.0 million in the first half of 2023 to $40.5 million in the first half of 2024. This increase was primarily due to a $31.0 million increase in share-based compensation expenses related to the 2024 Equity Incentive Plan and a $6.3 million increase in expected credit losses on account receivables. Excluding these two items, there was a slight decrease in general and administrative expenses compared to the previous year.
- Research and development expenses increased from $4.0 million in the first six months of 2023 to $32.2 million in 2024. The primary driver of this increase was the $31.0 million share-based compensation expense related to the 2024 Equity

Incentive Plan.

- Adjusted EBITDA, a non-GAAP metric that excludes certain non-recurring items and non-cash expenses, is useful in evaluating our operational performance in addition to the GAAP metrics. Our Adjusted EBITDA increased by 4% to $6.0 million for the six months ended June 30, 2024 compared to $5.8 million in the six months ended June 30, 2023.

Year-to-Date Operational Highlights

SunCar continues expanding its long-standing partnerships with China's leading banks, insurance companies, and auto companies in its Auto Services business.

In the eInsurance business, the Company has made significant progress in its partnership with leading electric vehicle manufacturers, including Tesla (NASDAQ: TSLA), Xiaomi (1810.HK), Nio (NYSE: NIO), Zeekr (NYSE: ZK), Li Auto (NASDAQ: LI), XPeng (NYSE: XPEV), Seres (601127.SHH), Leapmotor (9863.HK), SAIC Motor (600104.SS), and Changan Avatar (000625.SHE). These collaborations have driven growth beyond expectations.

New Collaborations and Technological Advancements:

- Partnered with Beijing Li Auto Insurance to develop the 'Li Auto Insurance Broker System' to improve brokerage operations through advanced insurance software solutions.
- Expanded collaboration with Beijing Houji Insurance Brokerage (Xiaomi Group) to deliver software-based insurance services in 14 cities, utilizing SunCar's intelligent insurance platform. Extended partnership with premium electric vehicle brands Zeekr Intelligent Technology and Jiyue Auto, providing software-based insurance services using SunCar's intelligent platform.
- Formed a strategic partnership with Lotus Technology to offer Lotus car owners comprehensive software-based automotive services and insurance.
- Additionally, SunCar is delivering insurance technology services to a leading global electric vehicle manufacturer in over 40 cities, with insurance premiums growing from RMB 3 million in January to RMB 260 million in August, and further city expansion is ongoing.

Expansion of eInsurance Business into ICE Vehicle Sector:

- Secured a two-year agreement with SAIC Maxus, a leading commercial vehicle manufacturer, to enhance e-insurance management across its dealership network.
- The Company is also actively engaging in discussions with major ICE manufacturers regarding the significant opportunity for its eInsurance business in the traditional ICE market.

Luxury Concierge Services Expansion: Launched multi-year partnerships to provide exclusive concierge car services for preferred clients:

- China CITIC Bank International
- Ant Fortune
- China Merchants Bank

Increased Collaborations with Major Insurance Firms:

- Expanded collaboration with the Shenzhen Branch of Ping An Insurance, the largest insuer in China, marking the seventh Ping An branch to partner with SunCar for premium airport pickup services.
- Established a new partnership with the Inner Mongolia branch of China Continent Insurance, recognized as one of the Top 10 Insurance Service Innovations by China Insurance News, utilizing innovative service package deals and boosting service sales by 30% in the first half of 2024.

Exclusive Service Contracts with China Construction Bank ("CCB"):

- Signed a two-year exclusive vehicle service contract with CCB Fujian Branch, offering automotive services to tens of thousands of customers.
- Awarded a one-year exclusive service contract with CCB Sichuan Branch.

Management Commentary

Ye Zaichang, CEO and Chairman of SunCar commented, "We are incredibly proud of SunCar's remarkable performance in the first half of 2024, with 27% revenue growth and a significant 55% increase in our auto eInsurance business. These achievements reflect the strength of our industry-specific software solutions and our ability to meet the evolving needs of enterprise clients across China's banking, automotive, and insurance sectors. We continue to leverage our unique technology platform to meet the evolving needs of our enterprise customers. As we expand our technology capabilities, service offerings, and partnerships, we are well-positioned to maintain this upward trajectory and deliver sustained value to our shareholders and customers. We look forward to building on this momentum in the second half of the year and beyond."

CONFERENCE CALL & AUDIO WEBCAST

SunCar will host a conference call on Monday, September 16th at 8:00 AM ET (5:00 AM PT) with the investment community to discuss the Company's

financial results and provide a business update.

To access the call by phone, please dial 1-877-407-0752 (international callers please dial 1-201-389-0912) approximately 10 minutes prior to the start of the call. A live audio webcast of the conference call will be available online at https://viavid.webcasts.com/starthere.jsp?ei=1688435&tp_key=b4a21ff1d5.

A webcast replay will also be available for a limited time at the following link:https://viavid.webcasts.com/starthere.jsp?ei=1688435&tp_key=b4a21ff1d5.

About SunCar Technology Group Inc.
Founded in 2007, SunCar is transforming the customer journey for auto services and auto insurance in China, the largest passenger vehicle market in the world. SunCar develops and operates cloud-based platforms that seamlessly connect drivers with a wide range of auto services and insurance coverage options through a nationwide network of sales partners. As a result, SunCar has established itself as the leader in China in the B2B auto services market and the auto eInsurance market for electric vehicles. The Company's intelligent cloud platform empowers its enterprise clients to access and manage their customer database and offerings optimally, and drivers gain access to hundreds of services from tens of thousands of independent providers in a single application. For more information, please visit: https://suncartech.com.

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 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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SUNCAR TECHNOLOGY GROUP INC
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In U.S. Dollar thousands, except for share and per share data, or otherwise noted)

	As of December 31, 2023	As of June 30, 2024
ASSETS		
Current assets		
Cash	$ 30,854	$ 20,886
Restricted cash	2,741	2,843
Short-term investments	21,596	20,913
Accounts receivable, net	56,043	76,630
Prepaid expenses and other current assets, net	63,963	69,564
Total current assets	**175,197**	**190,836**
Non-current assets		
Long-term investment	282	275
Software and equipment, net	22,466	19,977
Deferred tax assets, net	11,998	12,467
Other non-current assets	12,012	19,403
Right-of-use assets	1,280	978
Total non-current assets	**48,038**	**53,100**
TOTAL ASSETS	$ **223,235**	$ **243,936**

LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term loan	$ 83,029	$ 81,324
Accounts payable	26,641	52,115
Deferred revenue	3,050	1,959
Tax payable	1,364	1,695
Accrued expenses and other current liabilities	4,809	2,262
Amount due to a related party-current	4,751	4,557
Operating lease liability-current	748	765
Total current liabilities	**124,392**	**144,677**
Non-current liabilities		
Operating lease liability-non-current	504	154
Amount due to a related party, non-current	29,688	29,004
Warrant liabilities	661	661
Total non-current liabilities	**30,853**	**29,819**
Total liabilities	$ **155,245**	$ **174,496**
Commitments and contingencies (Note 16)		
Shareholders' equity		
Class A Ordinary shares* (par value of US$0.0001 per share; 400,000,000 Class A Ordinary shares authorized as of December 31, 2023 and June 30, 2024, respectively; 39,876,493 and 48,876,493 Class A Ordinary shares issued and outstanding as of December 31, 2023 and June 30, 2024, respectively)	$ 4	$ 5
Class B Ordinary shares* (par value of US$0.0001 per share; 100,000,000 Class B Ordinary shares authorized as of December 31, 2023 and June 30, 2024, respectively; 49,628,565 and 49,628,565 Class B Ordinary shares issued and outstanding as of December 31, 2023 and June 30, 2024, respectively)	5	5
Additional paid in capital	144,160	206,199
Accumulated deficit	(126,724)	(189,307)
Accumulated other comprehensive loss	(1,367)	(1,283)
Total SUNCAR TECHNOLOGY GROUP INC's shareholders' equity	**16,078**	**15,619**
Non-controlling interests	51,912	53,821
Total equity	**67,990**	**69,440**
TOTAL LIABILITIES AND EQUITY	$ **223,235**	$ **243,936**

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

	For the six months ended June 30,	
	2023	**2024**
Revenues		
Auto service	$ 98,813	$ 107,451
Auto eInsurance service	47,710	73,747
Technology service	12,855	21,888
Total revenues	**159,378**	**203,086**
Operating cost and expenses		
Integrated service cost	(87,854)	(107,621)
Promotional service expenses	(49,563)	(71,135)
Selling expenses	(12,793)	(10,199)
General and administrative expenses	(4,020)	(40,537)
Research and development expenses	(4,020)	(32,205)
Total operating costs and expenses	**(158,250)**	**(261,697)**
Operating profit/(loss)	**1,128**	**(58,611)**
Other income/(expenses)		

Financial expenses, net	(1,915)	(2,302)
Investment income	323	306
Other income, net	2,450	734
Total other income/(loss), net	**858**	**(1,262)**
Income/(Loss) before income tax expense	1,986	(59,873)
Income tax expense	(850)	(267)
Net income/(loss)	**1,136**	**(60,140)**
Less: Net income/(loss) attributable to non-controlling interests	4,515	2,443
Net loss attributable to the Company's ordinary shareholders	**(3,379)**	**(62,583)**
Net loss per ordinary share		
Basic and diluted	$ (0.04)	$ (0.67)
Weighted average shares outstanding used in calculating basic and diluted loss per share		
Basic and diluted	$ 81,374,609	93,663,300
Other comprehensive income/(loss)		
Foreign currency translation difference	(2,614)	(1,195)
Total other comprehensive loss	**(2,614)**	**(1,195)**
Total comprehensive loss	**(1,478)**	**(61,335)**
Less: total comprehensive income attributable to non-controlling interest	2,068	1,164
Total comprehensive loss attributable to the SUNCAR TECHNOLOGY GROUP INC's shareholders	**$ (3,546)**	**$ (62,499)**

SUNCAR TECHNOLOGY GROUP INC
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In U.S. Dollar thousands, except for share and per share data, or otherwise noted)

	For the six months ended June 30,	
	2023	**2024**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 1,136	$ (60,140)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Provision (Reversal)for credit losses	(3,694)	2,654
Depreciation and amortization	2,840	1,813
Amortization of right-of-use assets	350	392
Share-based compensation of subsidiary	776	745
Share-based compensation of the Group	-	62,040
Deferred income tax benefit	(207)	(750)
Fair value income from short-term investments	(323)	(493)
Financing expense related to issuance of GEM Warrants	-	303
Property and equipment written off	-	12
Interest expense	-	146
Changes in operating assets and liabilities:		
Accounts receivable	10,353	(24,689)
Prepaid expenses and other current assets	(38,757)	(7,492)
Accounts payable	7,647	26,277
Deferred revenue	497	(1,029)
Accrued expenses and other current liabilities	(787)	(2,458)
Tax payable	(202)	365
Operating lease liabilities	(321)	(321)
Amount due to a related party	167	-
Net cash used in operating activities	**(20,525)**	**(2,625)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of software and equipment	(577)	(245)
Purchase of short-term investment	-	(20,603)
Proceeds from the redemption of short-term investment	4,784	21,283
Purchase of other non-current assets	(3,310)	(7,725)
Net cash provided by/(used in) investing activities	**897**	**(7,290)**

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loan	68,271	56,979
Repayments of short-term loan	(53,418)	(56,771)
Cash required on reverse recapitalization	(482)	-
Proceeds from Private Placement	21,737	-
Payment for offering cost related to Business Combination	(623)	-
Net cash provided by financing activities	**35,485**	**208**
Effect of exchange rate changes	(1,661)	(159)
Net change in cash and restricted cash	14,196	(9,866)
Cash and restricted cash, beginning of the period	**$ 23,917**	**$ 33,595**
Cash and restricted cash, end of the period	**$ 38,113**	**$ 23,729**
Reconciliation of cash and restricted cash to the consolidated balance sheets:		
Cash	$ 35,460	$ 20,886
Restricted cash	$ 2,653	$ 2,843
Total cash and restricted cash	$ 38,113	$ 23,729
Supplemental disclosures of cash flow information:		
Income tax paid	$ 1,128	$ 535
Interest expense paid	$ 1,704	$ 1,872
Supplemental disclosures of non-cash activities:		
Obtaining right-of-use assets in exchange for operating lease liabilities	$ 1,552	$ 88

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, the Company's management believes that Adjusted EBITDA, which is a non-GAAP measure that excludes certain non-recurring items such as costs and expenses related to the Business Combination and prior and subsequent capital raises, is useful in evaluating our operational performance. The Company uses this non-GAAP financial information to evaluate our ongoing operations and for internal planning, budgeting and forecasting purposes. We believe that this non-GAAP financial information, when taken collectively with GAAP measures, may be helpful to investors in assessing our operating performance and comparing our performance with competitors and other comparable companies, which may or may not present similar non-GAAP financial measures to investors. Our computation of these non-GAAP measures may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate these measures in the same fashion. We endeavor to compensate for the limitation of the non-GAAP measure presented by also providing the most directly comparable GAAP measure and a description of the reconciling items and adjustments to derive the non-GAAP measure. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP, but should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP measures on a supplemental basis.

Adjusted EBITDA

We believe that Adjusted EBITDA, as defined below, is useful in evaluating our operational performance distinct and apart from certain expenses that may not be indicative of our recurring core business operating results and non-operational expenses. Adjusted EBITDA is defined as Operating profit (loss) adjusted for depreciation and amortization, share-based compensation and non-recurring expenses related to the Business Combination and prior and subsequent capital raises. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Total revenues.

RECONCILIATION OF OPERATING PROFIT (LOSS) TO ADJUSTED EBITDA

	For the Six Months Ended June 30,	
	2023	**2024**
	(In thousands)	
Operating profit (loss)	$ 1,128	$ (58,611)
Depreciation and amortization (1)	2,840	1,813
Share-based compensation (2)	776	62,785
Transaction fees (3)	1,071	53
Adjusted EBITDA	**$ 5,815**	**$ 6,040**
Adjusted EBITDA Margin	***3.6 %***	***3.0 %***

(1) Non-cash expenses related to depreciation and amortization

(2) Non-cash expense related to compensation costs for equity classified awards (both for the subsidiary and the Group)

(3) Includes non-recurring transaction related fees and expenses associated with the Company's Business Combination and prior and subsequent

capital raises

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SOURCE SunCar Technology Group Inc.