

Cango Inc. Reports Fourth Quarter and Full Year 2021 Unaudited Financial Results

SHANGHAI, March 10, 2022 /PRNewswire/ -- Cango Inc. (NYSE: CANG) ("Cango" or the "Company"), a leading automotive transaction service platform in China, today announced its unaudited financial results for the fourth quarter and full year of 2021.

Fourth Quarter 2021 Financial and Operational Highlights

- Total revenues were RMB1,050.5 million (US\$164.9 million), compared with RMB1,097.4 million in the same period of 2020, outperforming the high end of the Company's guidance by 5.1%.
- Car trading transactions revenues were RMB703.9 million (US\$110.5 million), or 67.0% of total revenues in the fourth quarter of 2021, a 28.7% increase from RMB546.8 million in the same period of 2020.
- Automotive financing facilitation revenues were RMB252.0 million (US\$39.5 million), compared with RMB398.1 million in the same period of 2020.
- The amount of financing transactions the Company facilitated in the fourth quarter of 2021 was RMB5,732.8 million (US\$899.6 million). The total outstanding balance of financing transactions the Company facilitated was RMB46,702.1 million (US\$7,328.6 million) as of December 31, 2021.
- M1+ and M3+ overdue ratios for all financing transactions that remained outstanding and were facilitated by the Company were 1.62% and 0.86%, respectively, as of December 31, 2021, compared with 1.58% and 0.76%, respectively, as of September 30, 2021.
- The number of dealers covered by the Company was 45,930 as of December 31, 2021, compared with 47,718 as of September 30, 2021.

Full Year 2021 Financial and Operational Highlights

- Total revenues were RMB3,921.7 million (US\$615.4 million), a 91.1% increase from RMB2,052.4 million in the full year of 2020.
- Car trading transactions revenues were RMB2,227.2 million (US\$349.5 million), or 56.8% of total revenues in the full year of 2021, a 256.5% increase from RMB624.8 million in the full year of 2020.
- Automotive financing facilitation revenues were RMB1,933.6 million (US\$193.6 million), a 38.3% increase from RMB891.8 million in the full year of 2020.
- After-market services facilitation revenues were RMB193.8 million (US\$30.4 million), compared with RMB241.2 million in the full year of 2020.
- The amount of financing transactions the Company facilitated in the full year of 2021 was RMB30,128.1 million (US\$4,727.8 million).
- M1+ and M3+ overdue ratios for all financing transactions that remained outstanding and were facilitated by the Company were 1.62% and 0.86%, respectively, as of December 31, 2021, compared with 0.98% and 0.42%, respectively, as of December 31, 2020.
- The number of dealers covered by the Company was 45,930 as of December 31, 2021, compared with 48,487 as of December 31, 2020.

Mr. Jiayuan Lin, Chief Executive Officer of Cango, commented, "While market volatility persisted as Covid-19 and global chip shortages lingered, we've seen our business built steadily over the past year, with accelerated efforts in transforming Cango into a comprehensive automotive transaction service platform. Fourth quarter total revenues were RMB1.1 billion, exceeding the high end of our previous guidance. Our car trading transactions business continued to gain momentum in the fourth quarter with revenues up 28.7% year-over-year while contributing to the Company's total revenues by 67.0%. It is also playing a decisive role in upgrading our business to the platform model with an integrated ecosystem covering the entire auto transaction value chain.

"While the challenging backdrop continued to impact our automotive financing facilitation business, we remained focused on optimizing our organizational structure and leveraging technology to improve operating efficiency. Our B2B platform, 'Cango Haoche,' which provides one-stop transaction, logistics, finance, insurance and other auto-related services, gained further traction in the fourth quarter, garnering over two million total views since its launch last May. Our after-market services facilitation business also made progress as we completed the integration of Cango's insurance service portfolio with the Li Auto App. Furthermore, we persist in making every effort to enhance dealer loyalty by empowering them to address their business pain points, while continuously improving the competitiveness of each of our core business segments.

"Looking ahead, we remain cautious regarding the near-term outlook owing to factors including renewed Covid-19 outbreaks, global chip shortages and other challenges to the macro environment. However, we will continue to focus on strengthening our integrated automotive transaction service platform, and exploring opportunities in the promising new energy vehicle market, while remaining steadfast in our mission to make selling and buying of cars simple and enjoyable."

Mr. Yongyi Zhang, Chief Financial Officer of Cango, stated, "During the fourth quarter, macroeconomic headwinds persisted with global chip shortages directly impacting China's automotive industry. Facing external pressures, we continued to make steady progress in the fourth quarter with top line beating our previous guidance. Moving forward, we will continue to focus attention on enhancing our efficient cost controls and improving operating efficiency, thus to further enhance the profitability of our business."

Fourth Quarter 2021 Financial Results

REVENUES

Total revenues in the fourth quarter of 2021 were RMB1,050.5 million (US\$164.9 million) compared with RMB1,097.4 million in the same period of 2020. Revenues from car trading transactions in the fourth quarter of 2021 were RMB703.9 million (US\$110.5 million), continuing to serve as an important revenue contributor. Revenues from automotive financing facilitation and after-market services facilitation in the fourth quarter of 2021 were RMB252.0 million (US\$39.5 million) and RMB36.7 million (US\$5.8 million), respectively.

OPERATING COST AND EXPENSES

Total operating cost and expenses in the fourth quarter of 2021 were RMB1,207.6 million (US\$189.5 million) compared with RMB899.0 million in the same period of 2020. This was mainly due to the related costs incurred by car trading transactions business.

- Cost of revenue in the fourth quarter of 2021 increased to RMB880.7 million (US\$138.2 million) from RMB723.8 million in the same period of 2020. As a percentage of total revenues, cost of revenue in the fourth quarter of 2021 was 83.8% compared with 66.0% in the same period of 2020. The change was primarily due to an increase in the amount of car trading transactions. For automotive financing facilitation and after-market services facilitation, cost of revenue as a percentage of relevant revenues was around 54.1% in the fourth quarter of 2021.
- Sales and marketing expenses in the fourth quarter of 2021 were RMB73.8 million (US\$11.6 million) compared with RMB65.8 million in the same period of 2020. As a percentage of total revenues, sales and marketing expenses in the fourth quarter of 2021 were 7.0% compared with 6.0% in the same period of 2020.
- General and administrative expenses in the fourth quarter of 2021 were RMB86.1 million (US\$13.5 million) compared with RMB90.1 million in the same period of 2020. As a percentage of total revenues, general and administrative expenses in the fourth quarter of 2021 remained flat at 8.2% compared with the same period of 2020.
- Research and development expenses in the fourth quarter of 2021 were RMB23.6 million (US\$3.7 million) compared with RMB23.0 million in the same period of 2020. As a percentage of total revenues, research and development expenses in the fourth quarter of 2021 was 2.2% compared with 2.1% in the same period of 2020.
- Net loss on risk assurance liabilities in the fourth quarter of 2021 was RMB84.6 million (US\$13.3 million) compared to a net gain of RMB18.8 million in the same period of 2020. Net loss on risk assurance liabilities was mainly due to a sequential increase in default rate over 2021.

LOSS FROM OPERATIONS

Loss from operations in the fourth quarter of 2021 was RMB157.0 million (US\$24.6 million), compared to an income of RMB198.4 million in the same period of 2020. This decrease was mainly due to loss on risk assurance liabilities and provision for credit losses, as well as the decrease in gross profit margins of automotive financing facilitation and after-market services facilitation businesses.

FAIR VALUE CHANGE OF EQUITY INVESTMENT

Fair value change of equity investment in the fourth quarter of 2021 was a gain of RMB254.1 million (US\$39.9 million) compared to a gain of RMB1,487.8 million in the same period of 2020. The gain in the fourth quarter of 2021 was mainly due to the investment in Li Auto. Cango has sold out all of its equity interest in Li Auto.

NET INCOME AND NON-GAAP ADJUSTED NET INCOME

Primarily due to the fair value change of the Company's investment in Li Auto, net income in the fourth quarter of 2021 was RMB124.1 million (US\$19.5 million). Non-GAAP adjusted net income in the fourth quarter of 2021 was RMB147.3 million (US\$23.1 million). Non-GAAP adjusted net income excludes the impact of share-based compensation expenses. For further information, see "Use of Non-GAAP Financial Measure."

NET INCOME PER ADS AND NON-GAAP ADJUSTED NET INCOME PER ADS

Basic and diluted net income per American Depositary Share (ADS) in the fourth quarter of 2021 were RMB0.88 (US\$0.14) and RMB0.87 (US\$0.14), respectively. Non-GAAP adjusted basic and diluted net income per ADS in the fourth quarter of 2021 were RMB1.04 (US\$0.16) and RMB1.04 (US\$0.16), respectively. Each ADS represents two Class A ordinary shares of the Company.

BALANCE SHEET

As of December 31, 2021, the Company had cash and cash equivalents of RMB1,434.8 million (US\$225.2 million), compared with RMB906.4 million as of September 30, 2021.

As of December 31, 2021, the Company had short-term investments of RMB2,598.9 million (US\$407.8 million), compared with RMB3,588.2 million as of September 30, 2021.

Full Year 2021 Financial Results

REVENUES

Total revenues in the full year of 2021 increased by 91.1% to RMB3,921.7 million (US\$615.4 million) from RMB2,052.4 million in the full year of 2020. Revenues from car trading transactions in the full year of 2021 were RMB2,227.2 million (US\$349.5 million). Revenues from automotive financing facilitation and after-market services facilitation in the full year of 2021 were RMB1,233.6 million (US\$193.6 million) and RMB193.8 million (US\$30.4 million), respectively.

OPERATING COST AND EXPENSES

Total operating cost and expenses in the full year of 2021 were RMB3,945.0 million (US\$619.1 million) compared with RMB1,734.1 million in the full year of 2020. This was mainly due to the related costs incurred by car trading transactions business. Primarily as a result of the increase in revenues from car trading transactions, sales and marketing expenses, general and administrative expenses and research and development expenses each decreasing as a percentage of total revenues in the full year of 2021, compared with the full year of 2020.

- Cost of revenue in the full year of 2021 increased to RMB2,958.0 million (US\$464.2 million) from RMB1,098.1 million in the full year of 2020. As a percentage of total revenues, cost of revenue in the full year of 2021 was 75.4% compared with 53.5% in the full year of 2020. The change was primarily due to an increase in the amount of car trading transactions. For automotive financing facilitation and after-market services facilitation, cost of revenue as a percentage of relevant revenues was around 44.0% in the full year of 2021.
- Sales and marketing expenses in the full year of 2021 were RMB239.3 million (US\$37.6 million) compared with RMB195.9 million in the full year of 2020. As a percentage of total revenues, sales and marketing expenses in the full year of 2021 was 6.1% compared with 9.5% in the full year of 2020.
- General and administrative expenses in the full year of 2021 were RMB276.2 million (US\$43.3 million) compared with RMB265.7 million in the full year of 2020. As a percentage of total revenues, general and administrative expenses in the full year of 2021 was 7.0% compared with 12.9% in the full year of 2020.
- Research and development expenses in the full year of 2021 were RMB70.5 million (US\$11.0 million) compared with RMB62.6 million in the full year of 2020. As a percentage of total revenues, research and development expenses in the full year of 2021 was 1.8% compared with 3.0% in the full year of 2020.
- Net loss on risk assurance liabilities in the full year of 2021 was RMB197.8 million (US\$31.0 million) compared to a net loss of RMB2.3 million in the same period of 2020. The change was mainly due to a sequential increase in default rate over 2021.

LOSS FROM OPERATIONS

Loss from operations in the full year of 2021 was RMB23.2 million (US\$3.6 million), compared to an income of RMB318.3 million in the full year of 2020. This decrease was mainly due to loss on risk assurance liabilities and provision for credit losses, as well as the decrease in gross profit margins of automotive financing facilitation and after-market services facilitation businesses.

FAIR VALUE CHANGE OF EQUITY INVESTMENT

Fair value change of equity investment in the full year of 2021 was a loss of RMB37.0 million (US\$5.8 million) compared with a gain of RMB3,315.5 million in the full year of 2020. The loss in the year of 2021 was mainly due to the investment in Li Auto.

NET LOSS

Net loss in the full year of 2021 was RMB8.5 million (US\$1.3 million), compared with a net income of RMB3,373.4 million in the full year of 2020.

NON-GAAP ADJUSTED NET INCOME

Non-GAAP adjusted net income in the full year of 2021 was RMB79.1 million (US\$12.4 million), compared with RMB3,452.2 million in the full year of 2020. Non-GAAP adjusted net income excludes the impact of share-based compensation expenses. For further information, see "Use of Non-GAAP Financial Measure."

NET LOSS PER ADS

Basic and diluted net loss per ADS in the full year of 2021 were RMB0.06 (US\$0.01) and RMB0.06 (US\$0.01), respectively.

NON-GAAP ADJUSTED NET INCOME PER ADS

Non-GAAP adjusted basic and diluted net income per ADS in the full year of 2021 were RMB0.55 (US\$0.09) and RMB0.54 (US\$0.08), respectively. Each ADS represents two Class A ordinary shares of the Company.

Business Outlook

For the first quarter of 2022, the Company expects total revenues to be between RMB700 million and RMB750 million. This forecast reflects the Company's current and preliminary views on the market and operational conditions, which are subject to change.

Share Repurchase Program

Pursuant to the share repurchase program announced on August 19, 2021, the Company had repurchased 5,103,721 ADSs with cash in the aggregate amount of approximately US\$20.1 million up to December 31, 2021.

Conference Call Information

The Company's management will hold a conference call on Thursday, March 10, 2022, at 8:00 P.M. Eastern Time or Friday, March 11, 2022, at 9:00 A.M. Beijing Time to discuss the financial results. Listeners may access the call by dialing the following numbers:

| | |
|-----------------------------|-----------------|
| International: | +1-412-902-4272 |
| United States Toll Free: | +1-888-346-8982 |
| Mainland China Toll Free: | 4001-201-203 |
| Hong Kong, China Toll Free: | 800-905-945 |
| Conference ID: | Cango Inc. |

The replay will be accessible through March 17, 2022, by dialing the following numbers:

| | |
|--------------------------|-----------------|
| International: | +1-412-317-0088 |
| United States Toll Free: | +1-877-344-7529 |
| Access Code: | 9317290 |

A live and archived webcast of the conference call will also be available at the Company's investor relations website at <http://ir.cangoonline.com/>.

About Cango Inc.

Cango Inc. (NYSE: CANG) is a leading automotive transaction service platform in China connecting dealers, financial institutions, car buyers, and other industry participants. Founded in 2010 by a group of pioneers in China's automotive finance industry, the Company is headquartered in Shanghai and engages car buyers through a nationwide dealer network. The Company's services primarily consist of automotive financing facilitation, car trading transactions, and after-market services facilitation. By utilizing its competitive advantages in technology, data insights, and cloud-based infrastructure, Cango is able to connect its platform participants while growing them a premium user experience. Cango's platform model puts it in a unique position to add value for its platform participants and business partners as the automotive and mobility markets in China continue to grow and evolve. For more information, please visit: www.cangoonline.com.

Definition of Overdue Ratios

The Company defines "M1+ overdue ratio" as (i) exposure at risk relating to financing transactions for which any installment payment is 30 to 179 calendar days past due as of a specified date, divided by (ii) exposure at risk relating to all financing transactions which remain outstanding as of such date, excluding amounts of outstanding principal that are 180 calendar days or more past due.

The Company defines "M3+ overdue ratio" as (i) exposure at risk relating to financing transactions for which any installment payment is 90 to 179 calendar days past due as of a specified date, divided by (ii) exposure at risk relating to all financing transactions which remain outstanding as of such date, excluding amounts of outstanding principal that are 180 calendar days or more past due.

Use of Non-GAAP Financial Measure

In evaluating the business, the Company considers and uses Non-GAAP adjusted net income, a non-GAAP measure, as a supplemental measure to review and assess its operating performance. The presentation of the non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. The Company defines Non-GAAP adjusted net income as net income excluding share-based compensation expenses. The Company presents the non-GAAP financial measure because it is used by the management to evaluate the operating performance and formulate business plans. Non-GAAP adjusted net income enables the management to assess the Company's operating results without considering the impact of share-based compensation expenses, which are non-cash charges. The Company also believes that the use of the non-GAAP measure facilitates investors' assessment of its operating performance.

Non-GAAP adjusted net income is not defined under U.S. GAAP and is not presented in accordance with U.S. GAAP. This non-GAAP financial measure has limitations as analytical tools. One of the key limitations of using Non-GAAP adjusted net income is that it does not reflect all items of expense that affect the Company's operations. Share-based compensation expenses have been and may continue to be incurred in the business and are not reflected in the presentation of Non-GAAP adjusted net income. Further, the non-GAAP measure may differ from the non-GAAP information used by other companies, including peer companies, and therefore their comparability may be limited.

The Company compensates for these limitations by reconciling the non-GAAP financial measure to the nearest U.S. GAAP performance measure, all of which should be considered when evaluating the Company's performance. The Company encourages you to review its financial information in its entirety and not rely on a single financial measure.

Reconciliations of Cango's non-GAAP financial measure to the most comparable U.S. GAAP measure are included at the end of this press release.

Exchange Rate Information

This announcement contains translations of certain RMB amounts into U.S. dollars ("US\$") at specified rates solely for the convenience of the reader. Unless otherwise stated, all translations from RMB to US\$ were made at the rate of RMB6.3726 to US\$1.00, the noon buying rate in effect on December 30, 2021, in the H.10 statistical release of the Federal Reserve Board. The Company makes no representation that the RMB or US\$ amounts referred could be converted into US\$ or RMB, as the case may be, at any particular rate or at all.

Safe Harbor Statement

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the "Business Outlook" section and quotations from management in this announcement, contain forward-looking statements. Cango may also make written or oral forward-looking statements in its periodic reports to the SEC, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Cango's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Cango's goal and strategies; Cango's expansion plans; Cango's future business development, financial condition and results of operations; Cango's expectations regarding demand for, and market acceptance of, its solutions and services; Cango's expectations regarding keeping and strengthening its relationships with dealers, financial institutions, car buyers and other platform participants; general economic and business conditions; and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Cango's filings with the SEC. All information provided in this press release and in the attachments is as of the date of this press release, and Cango does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

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| CANGO INC. | | | | | |
|--|-------------------------|----------------------|-------------------------|----------------------|--|
| UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET | | | | | |
| (Amounts in Renminbi ("RMB") and US dollar ("US\$"), except for number of shares and per share data) | | | | | |
| | As of December 31, 2020 | | As of December 31, 2021 | | |
| | RMB | US\$ | RMB | US\$ | |
| ASSETS: | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | 1,426,899,576 | 225,152,516 | 1,434,806,922 | 225,152,516 | |
| Restricted cash - current | 9,693,008 | 1,496,827 | 61,293,114 | 9,618,227 | |
| Short-term investments | 4,342,356,612 | 682,935,704 | 2,509,935,704 | 407,825,725 | |
| Accounts receivable, net | 141,594,170 | 22,544,396 | 223,544,396 | 35,078,994 | |
| Finance lease receivables - current, net | 2,035,397,525 | 319,146,625 | 1,414,164,625 | 221,913,289 | |
| Short-term consumer financing receivables, net | 23,168 | - | - | - | |
| Financing receivables, net | 20,105,893 | 3,126,261 | 62,296,261 | 9,775,643 | |
| Short-term contract asset | 364,618,635 | 57,290,692 | 829,940,692 | 130,235,805 | |
| Prepayments and other current assets | 558,360,959 | 88,948,637 | 982,948,637 | 154,246,091 | |
| Total current assets | 8,899,049,546 | 1,419,850,290 | 7,607,930,351 | 1,193,850,290 | |
| Non-current assets: | | | | | |
| Restricted cash - non-current | 878,299,140 | 137,180,729 | 1,114,180,729 | 174,839,270 | |
| Goodwill | 145,063,857 | 22,657,971 | 148,657,971 | 23,327,680 | |
| Property and equipment, net | 10,311,971 | 1,545,933 | 19,545,933 | 3,067,183 | |
| Intangible assets | 44,887,871 | 6,931,544 | 45,931,544 | 7,207,662 | |
| Long-term contract asset | 281,374,110 | 43,456,805 | 495,456,805 | 77,747,984 | |
| Deferred tax assets | 170,951,082 | 26,260,746 | 474,570,361 | 74,470,446 | |
| Finance lease receivables - non-current, net | 1,454,499,804 | 226,442,174 | 1,029,262,174 | 161,513,695 | |
| Other non-current assets | 261,495,158 | 40,156,164 | 1,156,164 | 1,815,297 | |
| Total non-current assets | 3,246,883,053 | 493,173,681 | 3,339,173,681 | 523,989,217 | |
| TOTAL ASSETS | 12,145,932,599 | 1,913,023,971 | 10,947,104,032 | 1,717,839,507 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities: | | | | | |
| Short-term debts | 355,816,940 | 57,776,131 | 90,979,527 | 14,141,888 | |
| Long-term debts - current | 1,228,783,730 | 193,014,362 | 938,014,362 | 147,194,922 | |
| Accrued expenses and other current liabilities | 324,734,202 | 50,269,444 | 719,035,380 | 112,832,343 | |
| Risk assurance liabilities | 460,829,299 | 69,022,914 | 699,022,914 | 109,691,949 | |
| Income tax payable | 87,132,455 | 13,376,070 | 481,854,102 | 75,613,423 | |
| Total current liabilities | 2,457,296,426 | 341,702,889 | 3,417,702,889 | 536,312,164 | |
| Non-current liabilities: | | | | | |
| Long-term debts | 977,791,191 | 153,486,616 | 486,371,672 | 76,322,329 | |
| Deferred tax liability | 330,765,029 | 51,471,040 | 15,471,040 | 8,076,299 | |
| Other non-current liabilities | 4,870,616 | 732,991 | 991,610 | 155,605 | |
| Total non-current liabilities | 1,313,426,836 | 205,750,656 | 538,834,322 | 84,554,863 | |
| Total liabilities | 3,770,723,462 | 547,453,545 | 3,956,537,211 | 620,867,027 | |
| Shareholders' equity | | | | | |
| Ordinary shares | 204,260 | 32,053 | 204,260 | 32,053 | |
| Treasury shares | (56,419,225) | (8,626,213) | (485,263,213) | (76,148,387) | |
| Additional paid-in capital | 4,591,455,557 | 719,035,380 | 4,671,7 | | |