

CLPS Incorporation Reports Financial Results for the Fourth Quarter and Full Year of 2018

SHANGHAI, Sept. 25, 2018 /PRNewswire/ -- CLPS Incorporation (the "Company" or "CLPS") (Nasdaq: CLPS), a leading information technology ("IT") consulting and solutions service provider focusing on the banking, insurance and financial sectors in China and globally, today announced its financial results for the fourth fiscal quarter ended June 30, 2018 and fiscal year of 2018.

Mr. Raymond Lin, Chief Executive Officer of CLPS, commented, "We ended fiscal year 2018 with a strong fourth quarter. Thanks to the healthy performance of our IT consulting segment, our top line grew more than 50% year over year. This driver also helped our full year performance, increasing our full year revenue over the prior year."

"2018 marked an important year in CLPS's corporate history," Mr. Lin continued. "We delivered on our strategy of growing revenue from existing clients and added more than 20 well-known global corporate clients based in the PRC and overseas to our client list. We continued building strategic alliances and acquisitions by successfully completing the acquisition and integration of Judge China, a growing IT and engineering talent solutions provider in China. We pushed our research and development investment to deepen our domain expertise and develop specific solutions for targeted industry verticals. We added more than 400 professionals to our world-class talent pool and continued to deliver our industry-leading Talent Creation Program and Talent Development Program."

"Looking ahead, we continue onto the next chapter of our growth by expanding and deepening our service offerings. Horizontally, we intend to attract new clients in existing and new geographies in our core industries. Vertically, we plan to enhance our existing solutions and develop new ones with in-demand technologies such as big data, block chain, automation, and the cloud. We will continue to remain committed to our employees and to provide them with the tools to succeed and service our customers. As we continue to expand our product offerings, grow globally, and enlarge our talent pool, we believe that we are well-positioned to leverage our deep sector expertise to capture the growth opportunities ahead and maintain long-term, sustainable shareholder value," concluded Mr. Lin.

Fourth Quarter of 2018 Financial Highlights

For the Three Months Ended June 30

<i>(USD)</i>	2018	2017	Change
Revenue	13,855,300	9,170,578	4,684,722
IT Consulting Services	13,319,638	8,631,524	4,688,114
Customized IT Solution Services	463,923	498,169	(34,246)
Other	71,739	40,885	30,854
Gross Profit	4,839,532	3,945,783	893,749
Gross Margin	34.9%	43.0%	(8.1%)
Operating Profits	726,599	846,249	(119,650)

Operating Margin	5.2%	9.2%	(4.0%)
Net Income Attributable to CLPS Incorporation	727,996	782,572	(54,576)
EPS	0.06	0.07	(0.01)

- Revenues increased by 51.1% to \$13.9 million for the three months ended June 30, 2018, from \$9.2 million for the same period of last year, mainly due to an increase in revenues from IT consulting services.
- Gross profit increased by 22.7% to \$4.8 million for the three months ended June 30, 2018, from \$3.9 million for the same period of last year. Gross margin decreased to 34.9% from 43.0% for the same period of last year.
- Net income attributable to the Company decreased by 7.0% to \$0.7 million for the three months ended June 30, 2018.
- Basic and diluted earnings per share were \$0.06 for the three months ended June 30, 2018, compared with \$0.07 per share for the same period of last year.

Fourth Quarter of 2018 Financial Results

Revenues

For the fourth quarter of 2018, revenues increased by \$4.7 million, or 51.1%, to \$13.9 million from \$9.2 million for the same period of last year. This increase in revenue was mainly due to an increase in revenue from IT consulting services.

Revenue from IT consulting services increased by \$4.7 million, or 54.3%, to \$13.3 million and accounted for 96.1% of total revenue for fourth quarter of 2018 from \$8.6 million, or 94.1% of total revenue, for the same period of last year. The increase was primarily due to the increasing demand for IT consulting service from banks and other financial institutions. For the three months ended June 30, 2018 and 2017, 46.9% and 52.6% of IT consulting services revenue were from international banks, respectively.

Revenue from customized IT solution services decreased by \$0.04 million, or 6.9%, to \$0.46 million for the fourth quarter of 2018 from \$0.50 million for the same period of last year. During the fourth quarter of 2018, revenue from other services increased by \$0.03 million to \$0.07 million over the fourth quarter of 2018. The year-over-year decrease in IT solution services was primarily due to the fact that some projects are currently in progress and have not been completed as of yet, and therefore revenue has not yet been recognized. The year-over-year increase in other services was mainly due to the increasing demand from existing customers in the fourth quarter of 2018.

Gross Profit and Gross Margin

Gross profit increased by \$0.9 million, or 22.7%, to \$4.8 million for the fourth quarter of 2018 from \$3.9 million for the same period of last year. Gross margin decreased to 34.9% for the fourth quarter of 2018 compared to 43.0% for the same period of last year. The decrease in gross margin was primarily due to the lower gross margin of the new projects.

Operating Expenses

Selling and marketing expenses increased by \$0.1 million, or 24.9%, to \$0.6 million for the fourth quarter

of 2018 from \$0.5 million for the same period of last year. The increase was primarily due to the expansion of the pre-sales and marketing teams in Shanghai and Dalian in China to support operations.

Research and development expenses increased by \$1.0 million, or 102.4%, to \$2.0 million for the fourth quarter of 2018 from \$1.0 million for the same period of last year. The increase was attributable to an increase in the number of research projects and the related employee headcount.

General and administrative expenses increased by \$0.1 million, or 5.4%, to \$1.7 million for the fourth quarter of 2018 from \$1.6 million for the same period of last year. The increase was primarily due to personnel increases in support sectors.

Operating Income

Operating income decreased by \$0.3 million, or 42.4%, to \$0.5 million for the fourth quarter of 2018 from \$0.8 million for the same period of last year. Operating margin was 3.4% for the fourth quarter of 2018, as compared to 8.8% for the same period of last year.

Other Income and Expenses

Subsidies and other income increased to \$0.3 million for the fourth quarter of 2018, from \$0.1 million for the same period of last year.

Benefit from Income Taxes

Income tax benefit decreased by \$0.03 million to \$0.07 million for the fourth quarter of 2018 from \$0.1 million for the same period of last year, mainly due to the Company's recognition of deferred tax assets as a result of the net operating losses carry forward for certain of the Company's subsidiaries.

Net Income and EPS

Net income decreased by \$0.2 million, or 16.5%, to \$0.8 million for the fourth quarter of 2018 from \$1.0 million for the same period of last year. The decrease in net income was due to the increase in R&D expense. After the deduction of non-controlling interests, net income attributable to shareholders for the fourth quarter of 2018 was \$0.7 million, or \$0.06 per basic and diluted share. This is compared to net income attributable to shareholders of \$0.8 million, or \$0.07 per basic and diluted share, for the fourth quarter of 2017.

Fiscal Year 2018 Financial Highlights

For the Fiscal Years Ended June 30

<i>(USD)</i>	2018	2017	Change
Revenue	48,938,593	31,361,976	17,576,617
IT Consulting Services	47,159,651	29,146,470	18,013,181
Customized IT Solution Services	1,634,100	1,846,423	(212,323)
Other	144,842	369,083	(224,241)

Gross Profit	17,661,338	12,692,164	4,969,174
Gross Margin	36.1%	40.5%	(4.4%)
Operating Profits	2,602,770	2,102,811	499,959
Operating Margin	5.3%	6.7%	(1.4%)
Net Income Attributable to CLPS Incorporation	2,434,463	2,047,445	387,018
EPS	0.21	0.18	0.03

- Revenues increased by 56.0% to \$48.9 million for the year ended June 30, 2018, from \$31.4 million for the year ended June 30, 2017, mainly due to an increase in revenue from IT consulting services for clients in the financial industry.
- Gross profit increased by 39.2% to \$17.7 million for the year ended June 30, 2018, from \$12.7 million for the same period of last year. Gross margin decreased year over year to 36.1% from 40.5%.
- Net income attributable to the Company increased year over year by 18.9% to \$2.4 million for the year ended June 30, 2018.
- Basic and diluted earnings per share were \$0.21 for the year ended June 30, 2018, compared with \$0.18 per share for the year ended June 30, 2017.

Fiscal Year 2018 Financial Results

Revenues

For the year ended June 30, 2018, revenues increased by \$17.6 million, or 56.0%, to \$48.9 million from \$31.4 million for the same period of last year. This increase in revenue was mainly due to an increase in revenue from IT consulting services.

Revenue from IT consulting services increased by \$18.0 million, or 61.8%, to \$47.2 million and accounted for 96.4% of total revenue for the year ended June 30, 2018, from \$29.1 million, or 92.9% of total revenue, for the same period of last year. The increase was primarily due to the increasing demand for IT consulting services from banks and other financial institutions. For the year ended June 30, 2018 and 2017, 46.8% and 54.0% of IT consulting services revenue were from international banks, respectively.

Revenue from customized IT solution services decreased by \$0.2 million, or 11.5%, to \$1.6 million for the year ended June 30, 2018 from \$1.8 million for the same period of last year. During the year ended June 30, 2018, revenue from other services decreased by \$0.2 million to \$0.1 million over the year ended June 30, 2017. The year-over-year decrease in IT solution services was primarily due to some ongoing projects for which revenue has not yet been recognized. The year-over-year decrease in other services was due to one client's decreased demand in the fiscal year 2018.

Gross Profit and Gross Margin

Gross profit increased by \$5.0 million, or 39.2%, to \$17.7 million for the year ended June 30, 2018, from \$12.7 million for the same period of last year. Gross margin decreased to 36.1% for the year ended June 30, 2018, compared to 40.5% for the same period of last year. The decrease in gross margin

was primarily due to the lower gross margin of new projects.

Operating Expenses

Selling and marketing expenses increased by \$1.0 million, or 84.5%, to \$2.2 million for the year ended June 30, 2018, from \$1.2 million for the same period of last year. The increase was primarily due to the expansion of the pre-sales and marketing teams in Shanghai and Dalian in China to support operations.

Research and development expenses increased by \$3.6 million, or 85.2%, to \$7.8 million for the year ended June 30, 2018 from \$4.2 million for the same period of last year. The increase was attributable to an increase in the number of research projects and the corresponding increase in the research employee headcount.

General and administrative expenses increased by \$0.3 million, or 4.0%, to \$5.9 million for the year ended June 30, 2018, from \$5.6 million for the same period of last year. The increase was primarily due to personnel increase in support sectors.

Operating Income

Operating income increased by \$0.1 million, or 7.5%, to \$1.7 million for the year ended June 30, 2018, from \$1.6 million for the same period of last year. Operating margin was 3.5% for the year ended June 30, 2018, compared to 5.1% for the same period of last year.

Other Income and Expenses

Subsidies and other income increased to \$1.0 million for the year ended June 30, 2018, from \$0.5 million for the same period of last year.

Benefit from Income Taxes

Income tax benefit decreased by \$0.01 million to \$0.11 million for the year ended June 30, 2018, from \$0.12 million for the same period of last year, mainly due to the Company's recognition of deferred tax assets as a result of the net operating losses carry forward for certain of the Company's subsidiaries.

Net Income and EPS

Net income increased by \$0.5 million, or 22.2%, to \$2.7 million for the year ended June 30, 2018, from \$2.2 million for the same period of last year. The increase in net income was in line with increased gross profit. After the deduction of non-controlling interests, net income attributable to shareholders for the year ended June 30, 2018, was \$2.4 million, or \$0.21 per basic and diluted share. This is compared to net income attributable to shareholders of \$2.0 million, or \$0.18 per basic and diluted share, for the year ended June 30, 2017.

Cash

As of June 30, 2018, the Company had cash and cash equivalents of \$9.7 million compared with \$4.8 million as of June 30, 2017.

Financial Outlook

For fiscal year 2019, the Company expects, absent material acquisitions or non-recurring transactions, a total sales growth in the range of approximately 30% to 35%, and a net income growth in the range of approximately 30% to 35%, as compared with the 2018 financial results. The foregoing guidance include estimated 2019 financial results of the InfoGain acquisition, an entity in which the Company acquired an 80% equity stake in August 2018. In addition, this guidance necessarily assumes no significant adverse price changes during fiscal year 2019.

This forecast reflects the Company's current and preliminary views, which are subject to change and is subject to risks and uncertainties, including, but not limited to, potential accounting adjustments attributable to InfoGain acquisition as well as risks and uncertainties identified in the Company's public filings.

Conference Call Information

The Company will hold a conference call at 8:30 am ET on September 26, 2018 to discuss fourth quarter and fiscal year 2018 results. Listeners may access the call by dialing:

U.S. Toll-Free: +1-800-263-0877
U.S. Local /International: +1-323-794-2094
China National: 400-120-8590

A webcast will also be available through the Company's investor relations website at <http://ir.clpsglobal.com/>

A replay of the call will be available through October 3, 2018 by dialing:

U.S. Toll-Free: +1-844-512-2921
U.S. Local/International: +1-412-317-6671
Passcode: 6685756

About CLPS Incorporation

Headquartered in Shanghai, China, CLPS Incorporation (the "Company") (Nasdaq: CLPS) is a global leading information technology ("IT"), consulting and solutions service provider focusing on the banking, insurance and financial sectors. The Company serves as an IT solutions provider to a growing network of clients in the global financial industry, including large financial institutions in the US, Europe, Australia and Hong Kong and their PRC-based IT centers. The Company maintains eleven delivery and/or research & development centers to serve different customers in various geographic locations. Mainland China centers are located in Shanghai, Beijing, Dalian, Tianjin, Chengdu, Guangzhou and Shenzhen. The remaining four global centers are located in Hong Kong, Taiwan, Singapore and Australia. For further information regarding the Company, please visit: <http://ir.clpsglobal.com/>.

Forward-Looking Statements

This announcement contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known

and unknown risks and uncertainties and are based on current expectations and projections about future events and financial trends that the Company believes may affect its financial condition, results of operations, business strategy and financial needs, including, among other factors, the Company's ability to complete and successfully integrate various acquisitions into its business and operations, to decrease costs, to improve margins and increase profits, and to leverage the target's client base to expand the Company's market and geographical reach, the Company's potential inability to successfully manage completed, proposed or future transactions; the Company's ability to capitalize on and include InfoGain's performance into its own financial performance and results; the Company's ability to manage expenditures relating to research, development, and implementation of the Company's products and services and risks that such products may not be developed successfully or approved for commercial use; infringement of the Company's technology or the assertion that the Company's technology infringes the rights of other parties; potential for significant adverse changes in PRC governing regulations; changes in tax laws and regulations; fluctuations in exchange rates; concentration of a substantial portion of the Company's revenues among a few customers; volatility in the market price of the Company's common stock; the Company's future issuance of non-equity compensation under its equity incentive plans; changes in key personnel; changes in currency exchange rates; growth through acquisitions, including the inability to commercialize technology acquired through and other factors referred to in the Company's Annual Report on Form 20-F for the year ended June 30, 2018 and other materials filed with the Securities and Exchange Commission. Investors can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The Company undertakes no obligation to update forward-looking statements to reflect subsequent occurring events or circumstances, or changes in its expectations, except as may be required by law. Although the Company believes that the expectations expressed in these forward-looking statements are reasonable, it cannot assure you that such expectations will turn out to be correct, and the Company cautions investors that actual results may differ materially from the anticipated results.

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CLPS INCORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the Three Months Ended June 30,

	2018	2017
Revenues	\$ 13,855,300	\$ 9,170,578
Less: Cost of revenues	(9,015,768)	(5,224,795)
Gross profit	<u>4,839,532</u>	<u>3,945,783</u>
Operating expenses:		
Selling and marketing	621,707	497,782
Research and development	2,023,553	999,662
General and administrative	1,728,156	1,639,294
Total operating expenses	<u>4,373,416</u>	<u>3,136,738</u>
Income from operations	466,116	809,045
Subsidies and other income	300,910	45,226
Other expense	<u>(40,427)</u>	<u>(8,022)</u>
Income before income tax	726,599	846,249
(Benefit) provision for income taxes	<u>(67,708)</u>	<u>(105,039)</u>
Net income	794,307	951,288
Less: Net income (loss) attributable to non-controlling interests	<u>66,311</u>	<u>168,716</u>
Net income attributable to CLPS Incorporation's shareholders	<u>\$ 727,996</u>	<u>\$ 782,572</u>
Other comprehensive (loss) income		
Foreign currency translation gain (loss)	\$ (414,954)	\$ 78,520
Less: foreign currency translation gain (loss) attributable to Non-controlling interest	<u>(36,097)</u>	<u>5,170</u>
Other comprehensive loss attributable to CLPS Incorporation's shareholders	<u>\$ (378,857)</u>	<u>\$ 73,350</u>
Comprehensive income		
CLPS Incorporation shareholders	\$ 349,139	\$ 855,922
Non-controlling interests	<u>30,214</u>	<u>173,886</u>
	<u>\$ 379,353</u>	<u>\$ 1,029,808</u>
Basic net income per common share*	<u>\$ 0.06</u>	<u>\$ 0.07</u>
Weighted average number of share outstanding – basic	<u>11,517,123</u>	<u>11,290,000</u>
Diluted net income per common share	<u>\$ 0.06</u>	<u>\$ 0.07</u>
Weighted average number of share outstanding – diluted	<u>11,636,367</u>	<u>11,290,000</u>

CLPS INCORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

	For the Year Ended June 30,	
	2018	2017
Revenues	\$ 48,938,593	\$ 31,361,976
Less: Cost of revenues	(31,277,255)	(18,669,812)
Gross profit	<u>17,661,338</u>	<u>12,692,164</u>
Operating expenses:		
Selling and marketing	2,225,702	1,206,493
Research and development	7,837,873	4,232,788
General and administrative	5,871,622	5,647,790
Total operating expenses	<u>15,935,197</u>	<u>11,087,071</u>
Income from operations	1,726,141	1,605,093
Subsidies and other income	960,784	508,187
Other expense	(84,155)	(10,469)
Income before income tax	2,602,770	2,102,811
(Benefit) provision for income taxes	(112,128)	(118,546)
Net income	<u>2,714,898</u>	<u>2,221,357</u>
Less: Net income (loss) attributable to non-controlling interests	280,435	173,912
Net income attributable to CLPS Incorporation's shareholders	<u>\$ 2,434,463</u>	<u>\$ 2,047,445</u>
Other comprehensive (loss) income		
Foreign currency translation gain (loss)	\$ 55,793	(93,177)
Less: foreign currency translation gain (loss) attributable to Non-controlling interest	10,200	1,732
Other comprehensive loss attributable to CLPS Incorporation's shareholders	<u>\$ 45,593</u>	<u>\$ (94,909)</u>
Comprehensive income		
CLPS Incorporation shareholders	\$ 2,480,056	\$ 1,952,536
Non-controlling interests	290,635	175,644
	<u>\$ 2,770,691</u>	<u>\$ 2,128,180</u>
Basic net income per common share*	<u>\$ 0.21</u>	<u>\$ 0.18</u>

Weighted average number of share outstanding – basic	11,517,123	11,290,000
Diluted net income per common share	\$ 0.21	\$ 0.18
Weighted average number of share outstanding – diluted	11,636,367	11,290,000

CLPS INCORPORATION
CONSOLIDATED BALANCE SHEETS

	As of June 30,	
	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,742,886	\$ 4,814,568
Accounts receivable, net	16,267,835	6,644,774
Prepayments, deposits and other assets, net	1,231,217	578,391
Prepaid income tax	206,361	169,557
Amount due from underwriter on the over-allotment	1,472,592	-
Amount due from related parties	131,321	118,006
Total Current Assets	29,052,212	12,325,296
Property and equipment, net	333,897	273,347
Intangible assets, net	260,059	305,464
Goodwill	173,560	195,080
Escrow receivable	200,000	-
Prepayments, deposits and other assets, net	119,372	123,783
Long-term investment -equity method	142,590	-
Long-term investment -cost method	151,124	-
Deferred tax assets, net	512,097	298,953
Total Assets	\$ 30,944,911	\$ 13,521,923
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term bank loans	\$ 2,553,989	\$ -
Accounts payable and other current liabilities	1,454,770	239,165
Tax payables	904,850	640,864
Deferred revenue	125,080	110,631
Customer deposits	200,836	97,740
Salaries and benefits payable	7,341,688	5,392,434
Amounts due to related parties	208,342	1,729,791
Total Current Liabilities	12,789,555	8,210,625

Commitments and Contingencies

Shareholders' Equity

Common share, \$0.0001 par value; 100,000,000 shares authorized; 13,590,000 shares issued and outstanding as of June 30, 2018 and 11,290,000 shares issued and outstanding as of June 30, 2017*

	1,359	1,129
Additional paid-in capital	17,285,543	7,120,943
Statutory reserves	1,118,467	680,671
Retained earnings (Accumulated deficit)	(524,618)	(2,521,285)
Accumulated other comprehensive loss	(401,677)	(447,270)
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Total CLPS Incorporation's Shareholders' Equity	17,479,074	4,834,188
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Non-controlling Interests	676,282	477,110
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Total Shareholders' Equity	18,155,356	5,311,298
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Total Liabilities and Shareholders' Equity	\$ 30,944,911	\$ 13,521,923
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