



ANDREW ARROYO REAL ESTATE, Inc.

Mid 2022 Earnings Release



Andrew Arroyo Real Estate, Inc. Reports Mid Year 2022 Results and 2023 Outlook

Generates 15% Revenue Growth, Achieves 89% Total Asset Increase Year Over Year for Six Months Ended June 30, 2022, and Provides Outlook for Full Year 2022 and Financial Targets for 2023-24

SAN DIEGO, October 5, 2022 (GLOBE NEWSWIRE) -- Andrew Arroyo Real Estate Inc. (AARE), a mission-driven real estate and lending brokerage in the United States, announced today that revenue for the mid-year 2022 was \$4.8 million, up 15% year-over-year. Total assets for the six months ended June 30, 2022 was \$1.278 million, an increase of 89% from the year ending December 31, 2021. AARE's capital raise and diversified service model contributed to year-over-year growth for the six months ended June 30, 2022.

Net loss was \$98,827 for the six months ended June 30, 2022 compared to a net gain of \$82,825 for the six months ended June 30, 2021. The majority of the net losses in Q1/Q2 of 2022 were driven by the ongoing expenses related to the IPO (initial public offering) and costs related to hiring an executive management team to facilitate the nationwide growth.

The Company's cash position remains solid, with \$625,000 in cash and an unused \$75,000 credit line and \$150,000 credit revolver available to invest in the growth of the business.

2022 Milestones & Q1/Q2 2022 Operational Updates

New Profit Center - Lending Department

During the second quarter of 2022, AARE developed a lending department. The lending department is doing business as [Ensure Lending](#), a wholly owned subsidiary of AARE. This department is now established in California and actively funding loans regulated by the California Department of Real Estate.

"Our goal is to expand the lending department to the other 24 states we currently operate our real estate business. We believe we can generate significant additional revenue and profit for the Company by providing lending services to our clients." said Andrew Arroyo, founder, chairman, and CEO of AARE.

Derek Barksdale was appointed to lead the new department. Before joining AARE and Ensure Lending, Mr. Barksdale most recently served as Manager Partner for Aligned Mortgage of San Diego, which was a subsidiary branch for the retail lending institution, American Pacific Mortgage. During his three-year tenure with Aligned/American Pacific Mortgage, Mr. Barksdale commissioned and managed the production, operations and support services to fund of over 1,800 loans with a total volume of \$917 million. Mr. Barksdale also has an extensive military background in operations as a 21-year retired naval officer, with an additional four years as a senior government executive, distinguished as a federal Chief of Police. Mr. Barksdale's private-sector experience began in 2011, as the Founder of [Military Mutual, a real estate brokerage](#) focused on providing real estate services to veterans and their

families. Military Mutual is now affiliated with AARE and doing its real estate business through our company. Mr. Barksdale was offered a full-time employee position with us to oversee our new lending department. Mr. Barksdale accepted the employment contract and is now directing our staff in that department.

Outlook

“We continue to achieve revenue and total asset growth despite the changing economic conditions and aggressive interest rate hikes by the Fed,” said Andrew Arroyo, founder, chairman, and CEO of AARE. “The Fed’s goal to curb inflation is beginning to take its toll on the real estate and lending industry as a whole. Over tightening too quickly could lead to collateral damage for both consumers and industry professionals. To that end, we have systems in place that helped us through previous rising interest rate environments, recessions, and unusual market conditions. Our salesforce is ready to navigate a change in the market or a potential recession.”

3Q-4Q 2022 and FY2022 Outlook:

- FY2022:
 - FY2022 Revenue of \$8.5 million to \$10 million
 - FY2022 Gross Profit of \$1 million to \$1.5 million
- 3Q-4Q 2022:
 - 3Q-4Q 2022 Revenue of \$3.5 million to \$5 million
 - 3Q-4Q 2022 Gross Profit of \$500,000 to \$750,000

2023-24 Targets:

- Continued revenue growth between 10-30%
- Continued gross profit and total asset growth between 10-30%
- Continued reinvestment of net income and free cash flow to fuel our growth

Additional information can be found in the company’s 1-SA SEC filing and presentation on the Investor Relations section of the AARE website at <https://aare.com/investor-relations/>.

Safe Harbor Statement

This press release includes forward-looking statements, which are statements other than statements of historical facts, and statements in the future tense. These statements include, but are not limited to, statements regarding our future performance, including expected financial results for the third and fourth quarter and full year of 2022, long-term financial targets for full year of 2023-24, and our continuous ability to achieve positive Adjusted EBITDA. Forward-looking statements are based upon various estimates and assumptions, as well as information known to us as of the date of this press release, and are subject to risks and uncertainties, including but not limited to: general economic conditions (including inflation and interest rates), the health of the U.S. real estate industry, and risks generally incident to the ownership of residential and commercial real estate, including seasonal and cyclical trends; our ability to continuously innovate, improve and expand our platform; our ability to attract new agents and retain current agents or increase agents’ utilization of our platform; our ability to expand our brokerage and adjacent services businesses; our ability to offer additional adjacent services; our

ability to achieve expected benefits from our mortgage business, Ensure; our rapid growth and rate of growth; our net losses and ability to achieve or sustain profitability in the future; any future impact of the ongoing COVID-19 pandemic on our business; our ability to compete successful in the markets in which we operate; the effect of monetary policies of the federal government and its agencies; any decreases in our gross commission income or the percentage of commissions that we collect; fluctuation of our quarterly results and other operating metrics; our ability to successfully complete acquisitions and integrate target companies; the effect of the claims, lawsuits, government investigations and other proceedings that we are subject to from time to time; our ability to protect our intellectual property rights; and other general market, political, economic, and business conditions. Additionally, these forward-looking statements, particularly our financial outlook and long-term targets, involve risks, uncertainties and assumptions, including those related to the impacts of COVID-19 and inflationary pressure on our clients' spending decisions. Significant variation from the assumptions underlying our forward-looking statements could cause our actual results to vary, and the impact could be significant. Accordingly, actual results could differ materially from those predicted or implied or such uncertainties could cause adverse effects on our results. Reported results should not be considered as an indication of future performance.

Additional risks and uncertainties that could affect our financial results are included under the caption "Risk Factors" in our Regulation A+ filing on Form 1-A qualified with the SEC on October 12, 2021, which is available on the Investor Relations page of our website at <https://aare.com/investor-relations/> and on the SEC website at www.sec.gov. Additional information will also be set forth in our Semi Annual Report on Form 1-SA for the six months ended June 30, 2022 which was filed on September 30th, 2022 with the SEC. All forward-looking statements contained herein are based on information available to us as of the date hereof, and we do not assume any obligation to update these statements as a result of new information or future events. Undue reliance should not be placed on the forward-looking statements in this press release.

About AARE

Founded in 2004, AARE is a nationwide real estate brokerage and lending firm licensed and operating in 24 states. The agency provides a variety of real estate services including residential, commercial, property management, syndication, financing, and business opportunities. AARE developed [GENEROUS CAPITALISM®](#), an innovative business model that promotes the importance of corporate social responsibility through generous business practices. This model sets precedent for public corporations by making charitable contributions from top-line gross profits to positively impact local communities and global initiatives.

For more information, please visit www.AARE.com.

Investor Contact

John Windscheffel
john.windscheffel@aare.com

Media Contact

David Malme
david@aare.com

ANDREW ARROYO REAL ESTATE, INC.
BALANCE SHEETS
June 30, 2022 (unaudited) and December 31, 2021 (audited)

	<u>June 30,</u> <u>2022</u>	<u>Dec. 31,</u> <u>2021</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 1)	\$ 624,948	\$ 3,655
Accounts Receivable	\$ 50,840	\$ -
Other Current Assets		
Other Current Assets	\$ 241,038	\$ 314,179
Total Current Assets	\$ 916,826	\$ 317,833
Property and equipment, net (Note 1)	\$ 52,767	\$ 56,777
Other Assets		
Total Other Assets	\$ 308,342	\$ 302,174
TOTAL ASSETS	\$1,277,936	\$ 676,784
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	\$ 79,348	19,050
Credit Cards	\$ 40,216	\$ 84,793
Line of Credit (Note 6)	\$ 0	\$ 74,058
Current Portion of Long Term Debt	\$ 111,737	\$ 111,737
Other Current Liabilities	\$ 218,299	\$ 282,572
Total Current Liabilities	\$ 449,600	\$ 572,211
Long Term Liabilities		
Notes Payable (Note 6)	\$ 250,522	\$ 237,988
Total Liabilities	\$ 700,122	\$ 810,198
Equity		
Common Stock, \$.001 par value 25,000,000 shares authorized, 3,180,460 issued and outstanding as of June 30, 2022 and 3,000,000 issued and outstanding as of December 31, 2021;	\$ 810,055	\$ 1,000
Series A Convertible Preferred Stock, (\$.001 par value; 5,000,000 shares authorized, and 2,000,000 outstanding as of June 30, 2022 and December 31, 2021)		
Additional paid-In capital	\$ 0	\$ 583,514
Shareholder Contribution/(Distribution)	\$ 0	\$ (66,220)
Retained Earnings/(Deficit)	\$ (232,241)	\$ (651,708)
Total stockholders' equity	\$ 577,814	\$ (133,414)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$1,277,936	\$ 676,784

ANDREW ARROYO REAL ESTATE, INC.
STATEMENT OF OPERATIONS
Six Months Ended June 30, 2022 and 2021 (unaudited)

	<u>2022</u>	<u>2021</u>
Income from Operations	\$4,830,523	\$4,194,549
Cost of Sales:		
Charitable Contributions	\$ 49,620	\$ 42,630

Coaching Fees	\$ 2,988	\$ 6,932
Salaries & Wages	\$ 5,286	\$ 22,157
Cost of Sales - Agents	\$3,737,130	\$3,064,771
Cost of Sales - TC	\$ 100,322	\$ 96,704
Cost of Sales- Material/Supply	\$ 30,524	\$ 38,635
Property Management Fees Paid	\$ 76,246	\$ 67,556
Recruiting Bonuses	\$ -	\$ -
Referral Fees	\$ 106,269	\$ 143,150
Staging & Moving Operations	\$ 1,565	\$ 16,737
Total Cost of Sales	\$4,109,950	\$3,499,273
Gross Profit	\$ 720,573	\$ 695,275
General and administrative expenses	\$ 848,790	\$ 601,131
Profit from Operations	\$ (128,217)	\$ 94,145
Other Income/(Expense)	\$ 33,645	\$ (11,320)
Profit /(Loss) before income tax benefit	\$ (94,572)	\$ 84,672
Income Tax Provision (Note 7)	\$ 4,255	\$ 1,847
Net Profit	\$ (98,827)	\$ 82,825

ANDREW ARROYO REAL ESTATE, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2022 (unaudited) and December 31, 2021 (audited)

	<u>COMMON STOCK</u>	<u>PAID IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
Balance – December 31, 2020	\$ 1,000	\$ 482,590	\$ (735,770)	\$ (252,180)
Net Income / (Loss)	\$ -	\$ -	\$ (67,195)	\$ (67,195)
Stockholder Contributions / (Distributions)	\$ -	\$ 482,590	\$ 668,551	\$ 185,961
Balance – December 31, 2021	\$ 1,000	\$ -	\$ (134,414)	\$ (133,414)
Net Income / (Loss)	\$ -	\$ -	\$ (98,827)	\$ (98,827)
Stockholder Contributions / (Distributions)	\$ 809,055	\$ -	\$ 1,000	\$ 810,055
Balance - June 30, 2022	\$ 810,055	\$ -	\$ (232,241)	\$ 577,814

ANDREW ARROYO REAL ESTATE, INC.
STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2022 and 2021 (unaudited)

	<u>2022</u>	<u>2021</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Net Income (Loss)	(98,827)	82,825
Adjustments to reconcile net Income to net cash flows provided by operating activities:		
Deferred Income Taxes	-	-
Depreciation & Amortization	16,037	9,472
Gain on Disposal of Assets	50,840	
Changes in assets and liabilities		
Changes in Accounts Receivable	(50,840)	-
Changes in Other Receivables	-	7,828
Changes in prepaid expenses & other	73,141	24,095
Changes in accounts payable	60,298	-
Changes in Other Payables	(109,535)	(30,805)
Income Taxes Payable	-	-
Changes in accrued expenses	684	2,773
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(109,042)	96,188
<i>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</i>		
Net Purchases of property and equipment	0	(6,746)
Net Inflows – Disposal of equipment	0	
Net Purchases of intangible assets	(18,196)	-
Net cash flows provided by (used in) Investing activities:	(18,196)	(6,746)
<i>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</i>		
Net proceeds (repayments) on borrowings	12,535	6,581
Changes in Line of Credit	(74,058)	(7,020)
Dividend Distribution	999	(10,827)
Loan from Shareholder	-	-
Proceeds (re-purchase) for Equity Investment	809,055	-
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES:	748,531	(11,266)
Net Increase (Decrease) in cash and cash equivalents	621,293	78,176
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,655	38,701
CASH AND CASH EQUIVALENTS END OF PERIOD	<u>\$ 624,948</u>	<u>\$ 116,877</u>