Zacks Small-Cap Research

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Cemtrex Inc. (CETX-NASDAQ)

CETX - Coverage discontinued.

OUTLOOK

Zacks Small-Cap Research is discontinuing coverage Cemtrex Inc.

Based on our valuation methodology for pollution control and related companies, including contract manufacturers, comparative analysis of enterprise value-to-EBITDA (EV/EBITDA) multiples indicates a target of $2.40 per share.

Current Price (04/26/16)	$2.12
Valuation	**$2.40**

SUMMARY DATA

52-Week High	**$4.35**
52-Week Low	**$1.65**
One-Year Return (%)	**-42.74**
Beta	**-0.16**
Average Daily Volume (shrs.)	**54,178**
Shares Outstanding (million)	**8**
Market Capitalization ($ mil.)	**$18**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**59**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2016 Estimate	**4.3**
P/E using 2017 Estimate	**3.7**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Pollution Control**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2014	9 A	12 A	13 A	14 A	48 A
2015	14 A	14 A	15 A	14 A	57 A
2016	13 A	15 E	18 E	20 E	66 E
2017					79 E

Price/Sales Ratio (Industry = 2.5x)

	Q1 (Dec)	Q2 (Mar)	Q3 (Jun)	Q4 (Sep)	Year (Sep)
2014	$0.06 A	$0.11 A	$0.11 A	$0.11 A	$0.39 A
2015	$0.06 A	$0.16 A	$0.14 A	$0.06 A	$0.40 A
2016	$0.09 A	$0.17 E	$0.15 E	$0.08 E	$0.49 E
2017					$0.58 E

Zacks Projected EPS Growth Rate - Next 5 Years % **14**

Quarterly EPS may not equal annual EPS total due to rounding.

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KEY POINTS

- Zacks SCR is discontinuing coverage Cemtrex Inc.

VALUATION

The valuation methodology for pollution control and related companies, including contract manufacturers, usually is based on the use of EV-to-EBITDA (Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization) reflecting the industry's characteristics of profitability and cash flow generation.

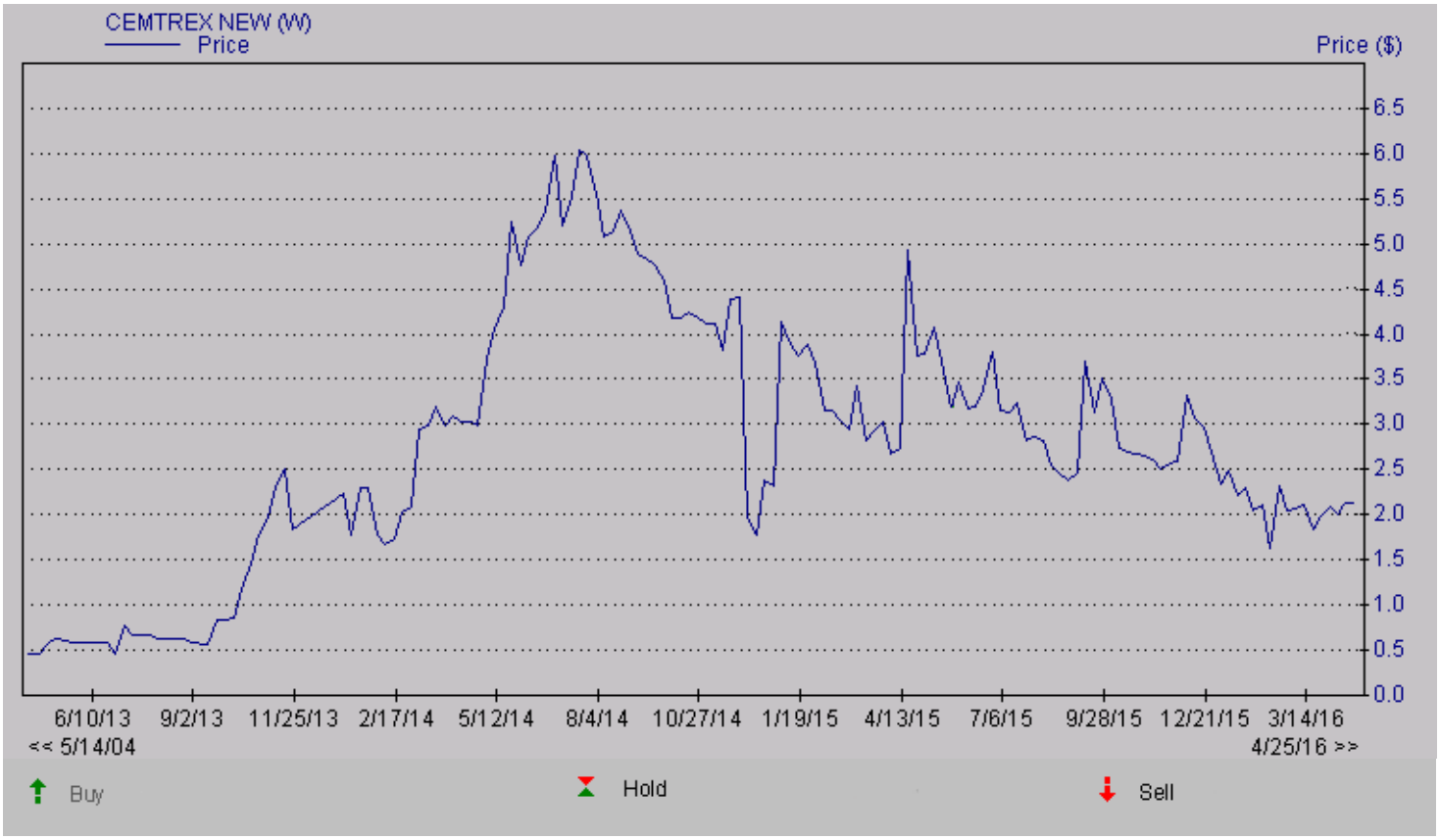
Industry Comparables	Pr Chg YTD	P/E CFY	EPS Gr 5Yr Est	Gross Margin	Price/ Book	Price/ Sales	Price/ CF	EV/ EBITDA
CEMTREX INC.	-10.2	4.3	14.0	28.7	1.8	0.3	4.1	10.3
Industry Mean	8.7	16.6	15.1	33.6	2.4	1.8	10.7	10.8
Industry Median	0.8	17.7	13.0	34.9	2.1	1.5	10.3	11.1
S&P 500	2.1	17.4	10.8	N/A	6.7	3.6	15.1	N/A
ALBEMARLE CORP.	18.9	18.3	17.5	25.2	2.2	2.1	10.2	12.1
CALGON CARBON	-8.6	17.7	7.0	34.9	2.1	1.5	10.3	8.9
CECO ENVIRONMENTAL	-15.4	8.3	13.0	27.6	0.9	0.6	4.6	8.9
IDEX CORP.	7.9	22.1	13.0	46.5	4.2	3.1	17.7	13.3
Recent Industry Acquisitions		Acquiror						
CYTEC INDUSTRIES INC.		Solvay SA	16.0	30.0	3.6	2.6	14.4	19.7
PALL CORP.		Danaher	12.5	50.2	8.3	4.8	19.3	20.3

Our valuation comparables for pollution control and related companies with gross margins above 25% are Albemarle (ALB), Calgon Carbon (CCC), CECO Environmental (CECE) and IDEX (IEX). The comparable pollution control and related companies have higher-than-average gross margins (above 25%), which are comparable to the gross margin Cemtrex is achieving.

The applicable valuation parameter for Cemtrex is enterprise value-to-EBITDA (EV/EBITDA) due the character of the company's enterprise, namely a small-capitalization company with a rapidly growing revenue profile that should continue to expand over time as management invests in the underlying businesses and deepens the company's presence in existing markets. This classic valuation parameter is known to be the highest correlated metric and relatively reliable determinant of stock price in Cemtrex's company universe. Though the risks associated with newer, smaller companies, such as Cemtrex, are greater than that for more established companies with longer track records, in our view, so are the growth prospects.

Comparable pollution control and related companies have gross margins above 25%. Also, as a reference, Cytec Industries was recently acquired by Solvay SA at 19.7 EV/EBITDA, and Pall Corp. was acquired by Danaher (DHR) at 20.3 EV/EBITDA. Utilizing a mid-second quartile industry EV/EBITDA ratio of 11.7 on trailing twelve-month (TTM) EBITDA, our **share price target is $2.40.**

WEEKLY PRICE CHART



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