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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Cemtrex, Inc.

Speculative Buy

John Nobile
February 26, 2018

CETX $2.54 — (NASDAQ)

	2016A	2017A	2018E	2019E
Revenues (millions)	$93.7	$120.6	$126.3	$141.8
Earnings (loss) per share*	$0.58	$0.31	$0.40	$0.85

52-Week range	$4.55 – $2.37	Fiscal year ends:	September
Common shares out as of 2/7/18	10.6 million	Revenue per share (TTM)	$11.90
Approximate float	5.8 million	Price/Sales (TTM)	0.2X
Market capitalization	$27 million	Price/Sales (FY2019)E	0.2X
Tangible book value/share	$3.54	Price/Earnings (TTM)	10.6X
Price/tangible book value	0.7X	Price/Earnings (FY2019)E	3.0X

** To common shareholders*

Headquartered in Farmingdale, NY, Cemtrex is a provider of electronic manufacturing services, industrial contracting services, and industrial air filtration & environmental control systems. (www.cemtrex.com)

Key investment considerations:

Maintaining Speculative Buy rating but lowering our twelve-month price target to $4.00 per share from $4.50 due to diminished 2019 projections.

The near-term outlook for company's Electronics Manufacturing Services (EMS) segment has weakened with the loss of two customers going into 2Q18 which should result in lower EMS revenues over the next three quarters compared to 1Q18. However, we expect EMS revenue will surpass 1Q18 results in FY19 as the company continues to win new business and deliver on its strong backlog in this growing market.

In January 2018, Cemtrex announced that it has entered into a strategic partnership to develop augmented reality (AR) solutions with Lucyd, a manufacturer of ergonomic smartglasses utilizing blockchain technology with its LCD token (digital currency) to create, share and experience AR content.

1Q18 revenue (10Q released 2/14/18) increased 10% to $32.4 million while EPS decreased to $0.07 from $0.14 in 1Q17. We projected revenue of $33 million and EPS of $0.18.

For FY18, we project a 4.7% increase in revenue to $126.3 million and EPS of $0.40. The decrease in our projections (prior was $135.4 million in revenue and EPS of $0.67) primarily reflects 1Q18 results, the loss of two customers in the EMS segment, and the adverse effect from deregulation of emission standards in the US.

For FY19, we project a 12.3% increase in revenue to $141.8 million and EPS of $0.85. The decrease in projections (prior was $152.1 million in revenue and EPS of $1.14) reflects a greater reduction in demand for the company's products in both segments than originally anticipated.

****Please view our disclosures on pages 14 - 16.***

Recommendation and Valuation

We are maintaining our **Speculative Buy** rating but lowering our twelve-month price target to $4.00 per share from $4.50 due to diminished 2019 projections.

We are changing our valuation on Cemtrex to an EBITDA based model from an earnings based model in order to exclude the volatile tax rate the company has experienced over the past three years (from a range of 0% to nearly 18%). CETX trades at a forward EV/EBITDA multiple of approximately 1.6X compared to 8.7X for its peer group (chart below). Our peer group includes a mix of companies from the electronics manufacturing industry, environmental technology industry, and industrial contracting services industry to accurately reflect CETX's current revenue mix.

Company	Symbol	Price	Market Cap $M	TTM EV/ EBITDA	FWD EV/ EBITDA	2019 EBITDA Growth
Ecolab	ECL	130.84	37,794	14.3	14.1	7.0%
Fluor Corporation	FLR	58.15	8,136	12.3	8.2	4.9%
Donaldson Company	DCI	48.49	6,299	15.9	13.8	8.1%
Jabil Circuit	JBL	26.61	4,663	4.7	4.0	4.3%
EMCOR Group	EME	76.45	4,463	9.1	9.1	7.8%
Stantec	STN	25.35	2,894	10.0	8.3	8.4%
Benchmark Electronics	BHE	30	1,492	7.1	NA	NA
Tutor Perini Corporation	TPC	22.55	1,123	7.7	5.4	23.3%
Calgon Carbon Corporation	CCC	21.4	1,087	19.4	NA	NA
Hill International	HIL	5.75	298	NA	10.9	NMF
Sparton Corp.	SPA	23.02	226	14.8	NA	NA
CECO Environmental Corp.	CECE	4.39	152	5.8	6.7	5.1%
CUI Global	CUI	2.73	78	NA	NMF	NMF
IEC Electronics	IEC	4.15	42	21.2	6.9	53.3%
Peer Average				**11.8**	**8.7**	**13.6%**
Cemtrex, Inc	**CETX**	**2.54**	**27**	**4.4**	**1.6**	**50.5%**
Source: Thomson Reuters, Taglich Brothers estimates						

While we project higher EBITDA growth for the company into 2019 versus its peers, CETX's valuation is likely to remain at a discount to its peers due to litigation pressures (see risks section). We believe investors should accord shares of CETX an EV/EBITDA multiple of 2.6X based on our 2019 growth projections, implying a valuation of approximately $4.00 per share.

Recent Developments

Partnership with Blockchain based Smartglasses Manufacturer – In January 2018, Cemtrex announced that it entered into a strategic partnership to develop augmented reality (AR) solutions with Lucyd, a manufacturer of ergonomic smartglasses utilizing blockchain technology with its LCD token (digital currency) to create, share, and experience AR content.

Cemtrex' newly formed division CemtrexVR, has long term plans to develop integrated hardware and software solutions for a wide variety of virtual and augmented reality applications. One area Cemtrex is initially focusing on is developing solutions for industrial applications. The company is in early stage discussions with a top 10 global aerospace equipment manufacturer for a pilot demonstration within the next six months.

Business

Founded in 2000 and headquartered in Farmingdale, NY, Cemtrex is a provider of electronic manufacturing services, industrial contracting services, and industrial air filtration & environmental control systems.

Cemtrex started as a manufacturer of emission monitoring equipment that enabled power, manufacturing, and industrial companies to comply with environmental regulations. Since that time, the company has expanded its core business into other areas such as electronics manufacturing (see chart at right), industrial air filtration and contracting services.

In October 2013, Cemtrex expanded into electronics manufacturing and services with the acquisition of privately held ROB Group, an electronics manufacturer located in Neulingen, Germany.

In December 2015, Cemtrex completed the acquisition of privately held Advanced Industrial Services Inc. (AIS) based in York, Pennsylvania. AIS is a broad based industrial services provider that offers one-source expertise and capabilities in plant and equipment erection, relocation, and disassembly. AIS was combined into CETX's existing environmental business which is now labeled the Industrial Products & Services group.

In May 2016, Cemtrex acquired Periscope, located in Paderborn, Germany. Periscope was focused on electronic manufacturing services primarily for major German automotive manufacturers. Cemtrex consolidated the majority of its Paderborn operations into its Neulingen facility at the end of calendar 2017 in order to create operational efficiencies.

In July 2017, Cemtrex announced the formation of its Advanced Technologies subsidiary. The Advanced Technologies group is focused on developing products for the IoT (Internet of Things) and wearable segments. The company plans to release its Smart Desk IoT product in May 2018. The Smart Desk is targeting the office place market and is designed to help companies adopt the most advanced technologies available and increase employees' productivity.

Cemtrex's smart desk (pictured at right) will have many capabilities to service employees' needs from one device. A few key features include a high resolution multi-touch display with the ability to draw and scan documents directly on the desk, wireless connectivity for full access to the cloud, and next generation wireless charging capabilities for mobile devices.

Segments

Cemtrex currently operates in two segments, electronics manufacturing and services, and industrial products and services (formerly environmental products and services).

Electronics Manufacturing and Services – Cemtrex's electronic manufacturing and services include product design and engineering services, printed circuit board assembly and production, cabling and wire harnessing, systems integration, comprehensive testing services, and completely assembled electronic products.

Cemtrex has the ability to produce assemblies requiring mechanical, as well as electronic capabilities. Cemtrex helps companies from their prototype and design phase all the way through manufacturing and assembly.

The company's products are incorporated into finished products sold in various industries, particularly wearable devices, automotive, telecommunications, industrial products, appliances, home automation, industrial automation and medical devices. Major customers in this segment can be seen in the chart at right.

Source: Cemtrex Investor Presentation

In July 2017, the company set up its Advanced Technologies subsidiary to leverage its design and engineering experience by developing and manufacturing proprietary advanced electronic products for third parties and IoT applications. Cemtrex plans to pursue collaborative partnerships with OEMs that are looking to incorporate intelligence and connectivity into their everyday products such as furniture, consumer wearables, industrial safety wearables, and other enterprise and consumer devices.

Industrial Products and Services – Cemtrex provides services for plant equipment erection, relocation, and maintenance. This segment also sells a complete line of air filtration and environmental control products to a wide variety of industrial customers worldwide. This equipment is used to remove dust, corrosive fumes, submicron particles and particulate from industrial exhausts and boilers. This equipment is also used to clean acid gases such as sulfur dioxide, hydrogen chloride, and organics from industrial exhaust stacks prior to discharging to the atmosphere, and to control emissions such as coal, phosphates, carbon black, various ashes and similar substances. Major customers in this segment can be seen in the chart at right.

Source: Cemtrex Investor Presentation

Markets

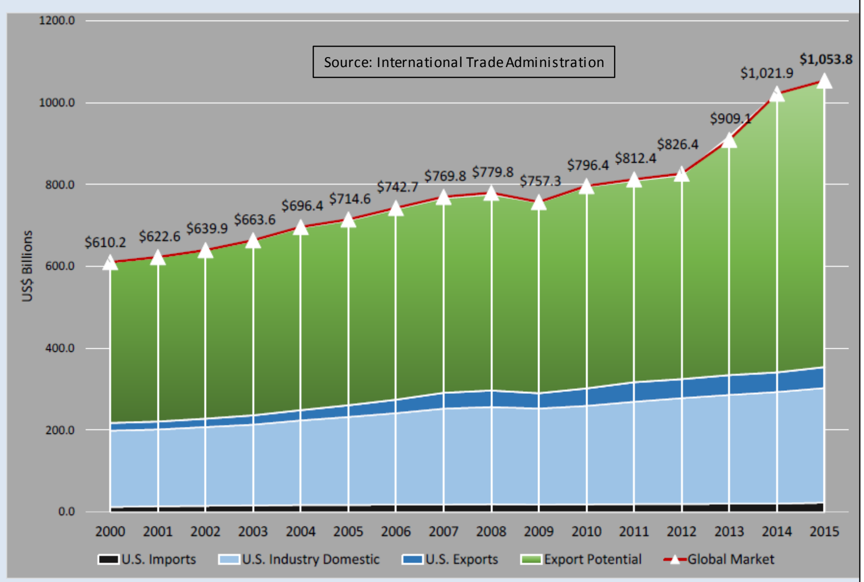
Electronics Manufacturing Services – The term electronics manufacturing services refers to companies that test, manufacture, distribute, and provide return/repair services of electronic components and assemblies for original equipment manufacturers. The latest research from ResearchandMarkets estimated the electronics contract manufacturing services market at $425 billion in 2016 and projected it to grow to $551 billion in 2021 for a compound annual growth rate of approximately 5.3%. ResearchandMarkets said that growth will be fueled by demand for EMS services.

A September 2017 report by Global Market Insights (GMI) estimated the value of the global automotive electronics market at over $206.3 billion in 2016 and should surpass $395.9 billion by 2024 for a compound annual growth rate of 8.5%. The GMI report observed that increasing automotive electronics adoption to deliver safety features including vehicle data recorder systems, emergency call systems, and alcohol ignition interlocks are anticipated to fuel market demand. Over 40% of a car's onboard components are currently based on electronics and that percentage is expected to rise with the improvement in current regulations governing the automotive electronics market.

Industrial Products and Services – This market (as it relates to CETX) includes products and services to the environmental technologies (ET) and industrial machinery/equipment industries.

The ET industry is defined by the International Trade Administration (ITA) as all goods and services that generate revenue associated with environmental protection, assessment, compliance with environmental regulations, pollution control and prevention, and design and operation of environmental infrastructure. Key subsectors for products and services of the ET industry include air, water, and soil pollution control, solid and toxic waste management, pollution prevention, and environmental monitoring.

Figure 2: Global Environmental Technologies Market Overview



The ET industry evolved in response to concerns about the risks and costs of pollution and the enactment of pollution control legislation and regulations in the US and around the world. The ITA cited some key industry facts concerning the global ET market including a total market value of $1.1 trillion with the US being the world's largest producer and consumer of environmental technologies. The US ET industry generates approximately $320.4 billion in annual revenues and employs approximately 1.6 million people. The ET industry has grown from $610.2 billion to $1.1 trillion in the fifteen years to 2015 (latest figures available) for a compound annual growth rate of approximately 3.7% (see chart above).

Growth for the emission control systems market is projected at over 7% annually into 2023. Transparency Market Research projects the global industrial emission control systems market to grow at a compound annual growth rate (CAGR) of 7.3% between 2015 and 2023 reaching revenue of $22.1 billion by 2023. Driving growth will be the adverse impact of global warming leading governments globally to implement stringent environmental regulations. In emerging nations, rapid industrialization and the rise in global trade has also boosted the growth of the market. While the US currently plans to withdraw from the Paris climate accord that is aimed at curbing greenhouse gas emissions, China and other countries in the Asia Pacific region have committed themselves to the accord. Transparency Market Research reports that the Asia Pacific region is expected to hold significant opportunity for the growth of the market due to the growing demand for industrial emission control systems across India, China, and Japan.

The latest research from the industrial research firm MAPI projected spending in the industrial equipment market to grow 5.9% in 2018, 2.3% in 2019, 4.6% in 2020, and 5% in 2021. MAPI cited a significant acceleration in business equipment spending since the early months of 2017, which could be taken as a sign of an increase in business confidence.

Competition

Cemtrex faces substantial competition in each of its principal markets. Several companies market products that compete directly with the company's products while other companies offer products that potential customers may consider to be acceptable alternatives to Cemtrex's products and services. The company faces direct competition from companies that are larger and have greater financial resources than Cemtrex. Some of these larger competitors include Ecolab, Jabil Circuit, and EMCOR Group.

Ecolab provides products and services to help companies in various industries keep their environment clean. Jabil Circuit provides electronic manufacturing services to include electronics design, production and product management services. EMCOR Group is an electrical and mechanical construction and facilities services firm providing construction services to commercial, industrial, utility and institutional customers.

Cemtrex competes on the basis of price, engineering and technological expertise, know-how and the quality of its products, systems and services. Virtually all of the company's contracts are obtained through competitive bidding. Although price is an important factor and may in some cases be the governing factor, it is not always determinative, and contracts are often awarded on the basis of the efficiency or reliability of products and the engineering and technical expertise of the bidder.

1Q18 Financial Results

1Q18 – Net income to common decreased to $732,000 or $0.07 per share on 10% revenue growth to $32.4 million. Net income to common in 1Q16 was $1.4 million or $0.14 per share. We projected revenue of $33 million and net income to common of $2 million or $0.18 per share.

Revenue growth reflects a 26.5% increase in Electronics Manufacturing Services (EMS) revenue to $20.4 million offset in part by a 9.8% decrease in Industrial Products and Services (IPS) revenue to $11.9 million. The increase in EMS revenue was primarily due to increased shipments. The decrease in IPS revenue was primarily due to lower environmental control products demand as a result of deregulation of emission standards in the US.

Gross profit increased 8.5% to $10.5 million with margins decreasing to 32.5% from 33%. Operating expenses increased 25.2% to $9.7 million or 29.8% of revenue from $7.7 million or 26.2% of revenue. Other income increased to $292,000 from $58,000 and interest expense decreased to 368,000 from $397,000. The company paid $59,000 in taxes versus $241,000 in 1Q17. The provision for income tax is based upon the projected income tax from the company's US and international subsidiaries.

Liquidity - As of December 31, 2017, the company had cash of $14 million, of which $1.6 million was restricted, a current ratio of 2.4 versus 2.1 for the pollution controls industry and 1.2 for the electronics manufacturing industry, $17.4 million of debt (of which $6.2 million is categorized as current), and approximately 56% of assets are covered by equity.

In the first three months of FY18, cash provided by operations was $2.5 million consisting of cash earnings of $2.3 million and a $196,000 decrease in working capital. The decrease in working capital was due primarily to decreased inventory offset in part by increased receivables and decreased accruals. Cash used in investing of $2.3 million consisted solely of capital expenditures. Cash provided by financing of $1.8 million consisted primarily of proceeds from notes payable. Cash increased by $2 million to $12.4 million at December 31, 2017.

Cemtrex's current liabilities include $4 million outstanding on its revolving line of credit, $132,000 credit card payable, and the current portion of long-term liabilities was $2.1 million as of September 30, 2017.

Cemtrex's long-term liabilities include $4.9 million of bank loans from Sparkasse Bank of Germany and Fulton Bank with interest rates varying from LIBOR plus 2.25% to 4.95%, and maturities varying from October 2021 to December 2022. The company also has $2.4 million of notes payable to AIS at an interest rate of 6% that matures December 2018 and $3.8 million remaining mortgage debt that carries an interest rate of 3% payable over 17 years. Covenant details were not disclosed.

Economic Outlook

In January 2018, the IMF raised its global economic growth estimate to 3.9% for both 2018 and 2019, up from its earlier (October 2017) growth forecast of 3.7% for both 2018 and 2019. The upward revision reflects increased global economic growth momentum and the positive impact expected from recently approved US tax policy changes.

The IMF raised its economic growth estimate for the US to 2.7% in 2018 and 2.5% in 2019, up from its earlier (October 2017) growth forecast of 2.3% for 2018 and 1.9% for 2019. The upward revision reflects stronger than expected US economic activity in 2017, higher projected external demand, and the positive economic impact from recent tax policy changes, in particular the reduction in corporate tax rates and the temporary allowance for full expensing of investments.

The advance estimate of US GDP growth (released on January 26, 2018) showed the US economy grew at an annual rate of 2.6% in 4Q17, down from 3.2% growth in 3Q17. The 4Q17 US GDP growth estimate primarily reflects increases in consumer spending, business investment, exports, housing investment, and federal, state and local government spending. These contributions were partly offset by declines in inventories.

In Europe, the IMF raised its economic growth forecast to 2.2% for 2018 and 2% for 2019, up from 1.9% and 1.7%, respectively in its October 2017 forecast. The upward revision reflects stronger momentum in domestic demand and higher external demand.

Because Cemtrex's business is conducted globally, the increased economic growth projections domestically and abroad should allow for continued growth.

Projections

In 1Q18, Cemtrex completed the consolidation of its two German EMS factories into one location in Neulingen, Germany. The company lost two customers in Paderborn, Germany going into 2018, one as result of consolidation and the other due to obsolescence of their product. We expect the loss of these customers will result in lower EMS revenues over the next three quarters when compared to 1Q18. However, we expect EMS revenue will surpass 1Q18 results in FY19 as the company wins new business and delivers on its strong backlog.

In 4Q17, growing demand from the medical, industrial, and automotive markets helped to contribute to a 46% increase in the EMS segment's backlog to $38 million. We project CETX will grow this segment's sales by an average annual growth rate of approximately 22% from FY16 through FY19.

Cemtrex's sales of industrial products and services have averaged 37% annual growth over the five years prior to the acquisition of AIS in FY16 while the overall environmental technologies industry averaged annual growth of approximately 5%. Since the acquisition of AIS, CETX grew industrial product sales by 15%. We believe CETX's higher growth as compared to the industry is due arguably to the company's ability to differentiate itself with custom designed products and its reputation as a high quality supplier. These competitive advantages in the IPS segment should enable CETX to grow at a rate faster than the overall industry's average annual growth rate of 7% into 2019. However, with the deregulation of emission standards in the US, growth in this segment should be limited. We project CETX will grow this segment's sales by an average annual growth rate of approximately 5% from 2016 through FY19.

Segment Revenue
(In thousands $)

	FY16A	FY17A	FY18E	FY19E	Avg. Annual Growth to 2019
IPS	49,244	56,569	53,639	59,000	5%
EMS	44,461	64,059	72,643	82,800	22%
Total Revenue	93,705	120,628	126,282	141,800	17%

Source: Company filings and Taglich Brothers' estimates

The table at right shows actual revenue for CETX's Industrial Products and Services (IPS) and Electronics Manufacturing and Services (EMS) segments along with our projections for FY18 and FY19.

Our estimates do not include sales from the company's smart desk product, which is expected to launch in May 2018, or from smartglasses, of which the company is in early stage discussions with an aerospace equipment manufacturer for a pilot demonstration within the next six months. We will incorporate this into our model when we can better gauge the market's acceptance of these new products.

The recent consolidation of Cemtrex' two German EMS factories into one location in Neulingen, Germany should help to lower expenses and bolster margins.

FY18 – We project a 4.7% increase in revenue to $126.3 million and net income to common of $4.2 million or $0.40 per share. The decrease in our projections (prior was $135.4 million in revenue and net income to common of $7.1 million or $0.67 per share) primarily reflects 1Q18 results, the loss of two customers in the EMS segment, and the adverse effect from deregulation of emission standards in the US.

We project gross margins increasing to 33.6%, from 33.1% in FY17 due primarily to increased overhead coverage. Research and development expenses are projected at $1.5 million as the company began an R&D program in 1Q18. SG&A expenses are project to decrease to $33.9 million (with margins of 26.8%) from $34.8 million (with margins of 28.8%) as a result of the recent consolidation in Germany. We project interest expense increasing to $959,000 from $924,000 due to a higher average interest rate.

We project $6.7 million cash from operations on cash earnings of $10.4 million and a $3.7 million increase in working capital. The increase in working capital will come primarily from increased receivables, prepaid expenses, and inventory. Cash from operations and a $2.3 million proceeds from notes payable should not cover our projected $3.5 million of capital expenditures, a $5.3 million pay down of debt, and $1.8 million of dividend payments, decreasing cash by $1.8 million to $8.7 million at September 30, 2018.

FY19 – We project a 12.3% increase in revenue to $141.8 million and net income to common of $9.1 million or $0.85 per share. The decrease in projections (prior was $152.1 million in revenue and net income to common of $1.14 per share) reflects a greater reduction in demand for the company's products in both segments than originally anticipated.

We project gross margins increasing to 35%, from 33.6% in FY18 due primarily to increased overhead coverage. Research and development expenses are projected at $1.8 million as the company recognizes a full year of R&D spending. SG&A expenses are project to increase to $35.5 million (with margins of 25%) from $33.9 million (with margins of 26.8%) due to increased compensation costs offset in part by the favorable effect from a full year of savings from the consolidation in Germany. We project interest expense decreasing to $660,000 from $959,000 as the company pays down debt.

We project $11.4 million cash from operations on cash earnings of $14.5 million and a $3.1 million increase in working capital. The increase in working capital will come primarily from increased receivables and inventory offset in part by an increase in accounts payable. Cash from operations should cover our projected $2.5 million of capital expenditures, $2.4 million pay down of debt, and $1.8 million of dividend payments, increasing cash by $4.6 million to $13.3 million at September 30, 2019.

Risks

In our view, these are the principal risks underlying the stock.

Dependence upon market acceptance of the company's technology - Failure to increase market acceptance of the company's environmental control products or electronics manufacturing services could adversely impact the company's revenues.

Acquisition/Integration risks – The company's current strategy involves growth through acquisitions (of which the latest involves the potential acquisitions of Key Tronic Corp and a Virtual Reality Software Studio). Risks associated with this type of strategy include being able to identify suitable acquisition candidates, successfully integrating and managing acquired businesses, obtaining acceptable financing, and lower than expected revenue from acquisitions.

Competition - Several companies market products that compete directly with Cemtrex. Other companies offer products that potential customers may consider to be acceptable alternatives to Cemtrex's. The company faces direct competition from companies with far greater financial, technological, and manufacturing resources.

Paris Climate Accord – The current US administration has elected not to participate in the Paris Climate Accord that is aimed at curbing greenhouse gas emissions. This withdrawal could lead to the loss of environmental business for Cemtrex in this region. While the company hopes to increase sales of its environmental products overseas, there can be no assurance that it will be successful in doing so.

International risks - A significant portion of Cemtrex's business is conducted internationally. Consequently, the company is subject to a variety of risks specific to international operations. Some of these risks include compliance with the anti-corruption laws of other jurisdictions in which the company operates; potential restrictions on transfers of funds; foreign currency fluctuations; and import and export duties.

Currency translation risks – Because Cemtrex conducts a significant portion of its business internationally, its financial results are subject to currency translation risks. A company that has operations overseas needs to translate the foreign currency values of its assets and liabilities into its home currency and consolidate them with its home currency assets and liabilities. The translation process could result in unfavorable equivalent home currency values.

Litigation risks – Cemtrex is currently the target of class action law suits alleging the company made materially false and misleading statements about its business, operations, and prospects. The company believes the law suits are meritless and intends to defend itself. This could lead to increased professional fees beyond what we have factored into our estimates or potential judgements or settlements that could adversely affect the company.

Significant insider ownership – Over 50% of CETX's voting equity is beneficially held by Aron Govil, an executive director of the company and former chairman, and Saagar Govil, the company's CEO and chairman of the board. This degree of control could result in decisions that are not in the best interest of general shareholders.

Liquidity risk - Shares of Cemtrex have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 5.8 million shares in the float and the average daily volume is approximately 102,000 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands $)

	FY15A	FY16A	FY17A	12/17A	FY18E	FY19E
Cash and equivalents	1,487	6,046	10,443	12,417	8,682	13,321
Restricted cash	-	698	1,532	1,583	1,583	1,583
Short-term investments	-	-	-	-	-	-
Receivables	4,771	13,569	15,461	17,840	16,186	18,175
Inventory	6,369	14,072	17,272	12,850	17,933	19,723
Deferred tax asset	-	67	-	-	-	-
Prepaid expenses and other	894	2,475	1,721	2,503	2,503	2,503
Total current assets	13,521	36,927	46,429	47,193	46,886	55,305
Property and equipment	8,142	17,648	20,118	22,384	20,539	19,944
Goodwill	845	919	3,323	3,323	3,323	3,323
Due from related parties	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Other assets	36	540	311	401	401	401
Total assets	**22,544**	**56,034**	**70,181**	**73,301**	**71,149**	**78,973**
Accounts payable	4,386	7,733	6,945	7,605	7,211	7,931
Credit card payable	-	294	165	132	132	132
Sales tax payable	-	263	551	724	724	724
Accrued expenses	309	5,175	3,614	3,045	3,783	4,248
Accrued income taxes	74	1,043	1,554	1,496	1,496	1,496
Revolving line of credit	2,130	3,455	4,466	3,992	3,992	3,992
Deferred revenue	-	1,387	463	484	484	484
Convertible notes	1,274	3,748	220	-	-	-
Notes payable	-	-	-	-	-	-
Current portion of long-term liabilities	654	2,057	2,084	2,091	2,091	2,091
Total current liabilities	8,827	25,155	20,062	19,569	19,913	21,098
Deferred tax liabilities	-	94	1,891	1,891	1,891	1,891
Accrued expenses	-	-	-	-	-	-
Long-term debt	2,384	6,402	5,175	4,918	-	-
Mortgage payable	4,089	3,869	3,820	3,842	3,645	3,533
Notes payable	-	1,222	241	2,396	2,396	-
Notes payable-related party	119	3,600	-	-	-	-
Total liabilities	**15,419**	**40,342**	**31,189**	**32,616**	**27,845**	**26,522**
Preferred equity	**1**	**1**	**3**	**3**	**3**	**3**
Total stockholders' equity	**7,125**	**15,692**	**38,992**	**40,685**	**43,304**	**52,451**
Total liabilities & stockholders' equity	**22,544**	**56,034**	**70,181**	**73,301**	**71,149**	**78,973**

Source: Company filings and Taglich Brothers' estimates

Cemtrex, Inc.

Income Statements for the Fiscal Years Ended
(in thousands $)

	FY15A	FY16A	FY17A	FY18E	FY19E
Revenues	56,887	93,705	120,628	126,282	141,800
Cost of revenues	40,565	64,491	80,715	83,803	92,170
Gross profit	16,322	29,214	39,913	42,479	49,630
Research and development			-	1,499	1,800
General and administrative	13,821	24,150	34,798	33,898	35,460
Operating income	2,501	5,064	5,115	7,082	12,370
Other income (expense)	834	1,694	314	592	400
Interest expense	(496)	(674)	(924)	(959)	(660)
Income before taxes	2,839	6,084	4,505	6,715	12,110
Income tax (benefit)	1	1,090	115	651	1,211
Net income / (loss)	2,838	4,994	4,390	6,064	10,899
Dividends on preferred stock	-	-	1,201	1,822	1,822
Net income (loss) to common	2,838	4,994	3,189	4,242	9,077
EPS to common	0.40	0.58	0.31	0.40	0.85
Shares Outstanding	7,059	8,582	10,176	10,686	10,700
Margin Analysis					
Gross margin	28.7%	31.2%	33.1%	33.6%	35.0%
Research and development			0.0%	1.2%	1.3%
SG&A	24.3%	25.8%	28.8%	26.8%	25.0%
Operating margin	4.4%	5.4%	4.2%	5.6%	8.7%
Pretax margin	5.0%	6.5%	3.7%	5.3%	8.5%
Tax rate	0.0%	17.9%	2.6%	9.7%	10.0%
Year / Year Growth					
Total Revenues	19.4%	64.7%	28.7%	4.7%	12.3%
Net Income	6.3%	76.0%	(12.1)%	38.1%	79.7%
EPS	1.9%	44.7%	(46.1)%	26.7%	113.7%

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements FY17A - FY19E
(in thousands $)

	12/16A	3/17A	6/17A	9/17A	FY17A	12/17A	3/18E	6/18E	9/18E	FY18E	12/18E	3/19E	6/19E	9/19E	FY19E
Revenues	29,397	30,505	27,807	32,919	120,628	32,382	29,900	31,300	32,700	126,282	33,400	34,800	36,100	37,500	141,800
Cost of revenues	19,699	21,147	17,875	21,994	80,715	21,857	20,033	20,658	21,255	83,803	21,710	22,620	23,465	24,375	92,170
Gross profit	9,698	9,358	9,932	10,925	39,913	10,525	9,867	10,642	11,445	42,479	11,690	12,180	12,635	13,125	49,630
Research and development	-	-	-	-	-	149	450	450	450	1,499	450	450	450	450	1,800
General and administrative	7,713	8,595	8,527	9,963	34,798	9,508	8,070	8,140	8,180	33,898	8,350	8,700	9,030	9,380	35,460
Operating income	1,985	763	1,405	962	5,115	868	1,347	2,052	2,815	7,082	2,890	3,030	3,155	3,295	12,370
Other income (expense)	58	(295)	155	396	314	292	100	100	100	592	100	100	100	100	400
Interest expense	(397)	(346)	(205)	24	(924)	(369)	(200)	(200)	(190)	(959)	(180)	(170)	(160)	(150)	(660)
Income before taxes	1,646	122	1,355	1,382	4,505	791	1,247	1,952	2,725	6,715	2,810	2,960	3,095	3,245	12,110
Income tax (benefit)	241	(291)	172	(7)	115	59	125	195	273	651	281	296	310	325	1,211
Net income / (loss)	1,405	413	1,183	1,389	4,390	732	1,122	1,757	2,453	6,064	2,529	2,664	2,786	2,921	10,899
Dividends on preferred stock	-	333	-	868	1,201	-	911	-	911	1,822	-	911	-	911	1,822
Net income (loss) to common	1,405	80	1,183	521	3,189	732	211	1,757	1,542	4,242	2,529	1,753	2,786	2,010	9,077
EPS to common	0.14	0.01	0.11	0.05	0.31	0.07	0.02	0.16	0.14	0.40	0.24	0.16	0.26	0.19	0.85
Shares Outstanding	9,787	10,387	10,300	10,230	10,176	10,645	10,700	10,700	10,700	10,686	10,700	10,700	10,700	10,700	10,700
Margin Analysis															
Gross margin	33.0%	30.7%	35.7%	33.2%	33.1%	32.5%	33.0%	34.0%	35.0%	33.6%	35.0%	35.0%	35.0%	35.0%	35.0%
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	1.5%	1.4%	1.4%	1.2%	1.3%	1.3%	1.2%	1.2%	1.3%
SG&A	26.2%	28.2%	30.7%	30.3%	28.8%	29.4%	27.0%	26.0%	25.0%	26.8%	25.0%	25.0%	25.0%	25.0%	25.0%
Operating margin	6.8%	2.5%	5.1%	2.9%	4.2%	2.7%	4.5%	6.6%	8.6%	5.6%	8.7%	8.7%	8.7%	8.8%	8.7%
Pretax margin	5.6%	0.4%	4.9%	4.2%	3.7%	2.4%	4.2%	6.2%	8.3%	5.3%	8.4%	8.5%	8.6%	8.7%	8.5%
Tax rate	14.6%	(238.5)%	12.7%	(0.5)%	2.6%	7.5%	10.0%	10.0%	10.0%	9.7%	10.0%	10.0%	10.0%	10.0%	10.0%
Year / Year Growth															
Total Revenues	120.8%	61.3%	12.5%	(10.5)%	28.7%	10.2%	(2.0)%	12.6%	(0.7)%	4.7%	3.1%	16.4%	15.3%	14.7%	12.3%
Net Income	103.0%	(50.2)%	(17.3)%	(31.9)%	(12.1)%	(47.9)%	171.7%	48.5%	76.6%	38.1%	245.5%	137.4%	58.6%	19.1%	79.7%
EPS	55.2%	(92.4)%	(28.8)%	(76.3)%	(46.1)%	(52.1)%	156.4%	43.0%	182.9%	26.7%	243.7%	729.6%	58.6%	30.4%	113.7%

Source: Company filings and Taglich Brothers' estimates

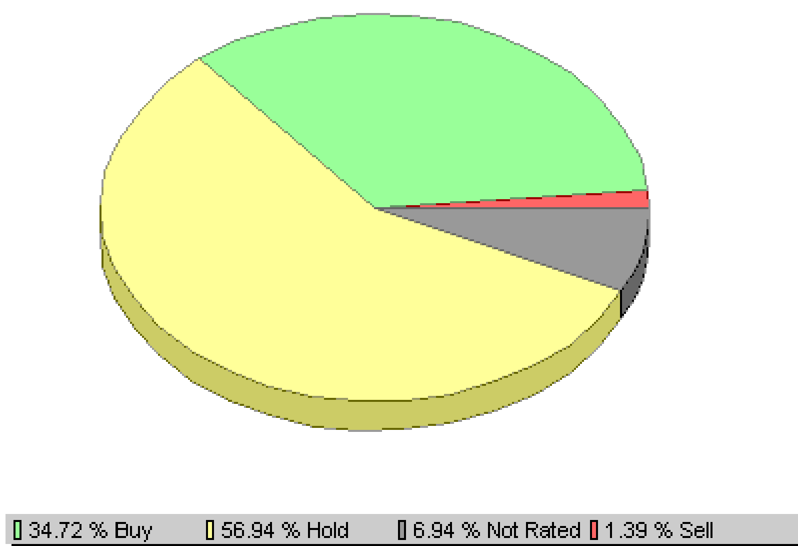
Statement of Cash Flows for the Periods Ended
(in thousands $)

	FY15A	FY16A	FY17A	3m18A	FY18E	FY19E
Net income (loss)	2,838	4,994	4,390	732	6,064	10,899
Depreciation & amortization	772	2,296	3,142	842	3,194	3,095
Deferred revenue	-	1,127	(924)	21	21	-
Stock-based compensation	57	52	67	-	70	70
Shares issued for professional services	-	-	109	-	-	-
Shares issued for acquisition	-	1,000	-	-	-	-
Discounts on convertible debt	-	249	-	-	-	-
Change in allowance on convertible debt	-	-	-	624	624	-
Deferred taxes	-	102	(540)	-	-	-
Interest expense on convertible debt	-	144	164	109	400	400
Cash earnings	3,667	9,964	6,408	2,328	10,373	14,464
Changes in assets and liabilities						
Restricted cash	-	(90)	(833)	(51)	(51)	-
Receivables	(733)	(5,586)	(1,892)	(2,379)	(725)	(1,989)
Due from related party	-	-	-	-	-	-
Inventory	(99)	764	(3,200)	3,798	(661)	(1,790)
Prepaid expenses and other	(363)	2,343	754	(782)	(782)	-
Other	17	(171)	228	(89)	(90)	-
Accounts payable	1,665	1,377	(788)	659	266	720
Credit card payable	-	67	(129)	(33)	(33)	-
Sales tax payable	-	85	287	173	173	-
Revolving line of credit	-	(6,117)	1,011	(474)	(474)	-
Accrued expenses	(131)	4,297	(1,249)	(569)	(1,420)	(47)
Income taxes payable	12	962	511	(57)	58	-
(Increase) decrease in working capital	368	(2,069)	(5,300)	196	(3,688)	(3,106)
Net cash provided by (used in) operations	**4,035**	**7,895**	**1,108**	**2,524**	**6,685**	**11,358**
Purchase of property and equipment	(1,516)	(664)	(5,678)	(2,344)	(3,500)	(2,500)
Gain (loss) on disposal of property and equipment	-	-	66	-	-	-
Purchase of short-term investments	-	-	-	-	-	-
Redemption of short-term investments	560	-	-	-	-	-
Purchase and retirement of common stock	-	-	(1,345)	-	-	-
Investment in subsidiary	-	(16,483)	-	-	-	-
Net cash used in investing	**(956)**	**(17,147)**	**(6,957)**	**(2,344)**	**(3,500)**	**(2,500)**
Proceeds from rights offering	-	-	12,817	-	-	-
Dividends paid	-	-	(529)	-	(1,822)	(1,822)
Proceeds from notes payable	-	2,218	-	2,300	2,300	-
Payments on notes payable	-	(486)	(981)	(145)	(145)	(2,396)
Proceeds (payments) on affiliated loan	(1,751)	3,480	(259)	-	-	-
Proceeds from bank loans	-	5,176	-	-	-	-
Payments on bank loans	(2,026)	(1,656)	(802)	(361)	(5,279)	-
Payments on convertible notes	-	-	-	-	-	-
Proceeds from convertible notes	2,038	5,078	-	-	-	-
Net cash provided by (used in) financing	**(1,739)**	**13,810**	**10,246**	**1,794**	**(4,946)**	**(4,218)**
Net change in cash	**1,340**	**4,558**	**4,397**	**1,974**	**(1,761)**	**4,640**
Cash - beginning of period	**146**	**1,487**	**6,046**	**10,443**	**10,443**	**8,682**
Cash - end of period	**1,487**	**6,046**	**10,443**	**12,417**	**8,682**	**13,321**

Source: Company filings and Taglich Brothers' estimates

Price Chart

Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	**1**	**4**
Hold		
Sell		
Not Rated	**1**	**33**

Important Disclosures

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Benchmark Electronics, Inc. (NYSE: BHE)
Calgon Carbon Corporation (NYSE: CCC)
CECO Environmental Corp. (NASDAQ: CECE)
CUI Global, Inc. (NASDAQ: CUI)
Donaldson Company, Inc. (NYSE: DCI)
Ecolab, Inc. (NYSE: ECL)
EMCOR Group (NYSE: EME)
Fluor Corporation (NYSE: FLR)
Hill International, Inc. (NYSE: HIL)
IEC Electronics Corp. (NYSE: IEC)
Jabil Circuit, Inc. (NYSE: JBL)
Key Tronic Corporation (NASDAQ: KTCC)
Sparton Corporation (NYSE: SPA)
Stantec Inc. (NYSE: STN)
Tutor Perini Corporation (NYSE: TPC)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.