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# **Cemtrex Does It Again, Increases Revenue and Profits on the Back of Acquisitions and Global Gains**

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FARMINGDALE, NY, Aug. 11, 2016 /PRNewswire/ - 21 straight profitable quarters, guidance for \$100 million in annual revenue in 2016, 60 percent insider holdings and a share repurchase plan to return one million of only 8.5 million outstanding shares to the treasury aren't exactly the type of fundamentals components often seen in a company with a \$49 million market capitalization. But that's exactly what Cemtrex, Inc. (NASDAQ: CETX) has happening and Wall Street is starting to take notice.

## **A Quick History of Cemtrex Acquisitions**

The growth for Cemtrex wasn't simply happenstance; it was the result of a succinct business model to make opportunistic acquisitions without significantly diluting shareholders or using an investment bank (which contains costs) and cross-pollinating new customers with existing customers to shepherd organic growth in both Cemtrex divisions.

In 2013, when Cemtrex was still trading on the over the counter markets, the company snapped up German electronics manufacturing company The ROB Group GmbH after ROB made a mistake in not insuring its receivables, sending it into insolvency. With the purchase, Cemtrex grew its footprint in Germany as a provider of electronics and cabling solutions to some of the largest European companies in the medical, automation, industrial and renewable energy industries, as well as a production facility in Romania.

More recently, Cemtrex made two substantial acquisitions in buying 35-year old German electronics manufacturer Periscope GmbH and Advanced Industrial Services (AIS), a 30-year-old broad-based industrial services company. Periscope primarily supplies German automotive manufacturers, with other clients in the telecommunications, industrial goods, luxury consumer products, display technologies and industrial OEM space. Cumulatively, the two acquisitions are projected to generate about \$60 million in revenues in the next 12 months.

According to Aron Govil, Cemtrex founder and executive director, the company was able to acquire both companies at deep discounts. AIS management was looking to retire and not aggressively shopping the company, presenting an opportunity to negotiate a favorable deal. Periscope was acquired when a private equity group that ran into trouble, due to lack of funds, and was looking to divest assets, setting the stage for another deal for Cemtrex and positioning it a top-15 German Electronic Manufacturing Services (EMS) provider.

## **Growing Revenues**

On August 8, Cemtrex released consolidated results from the third quarter ended June 30, 2016. Net sales for the quarter improved 69% to \$24.71 million from \$14.67 million in the year prior quarter. Analysts were looking for revenue of \$21.5 million. Sales were also up substantially quarter-over-quarter. In Q2, net sales were \$18.91 million.

Gross profits surged 92% to \$8.19 million from \$4.25 million a year earlier. Gross profit margin rose to 33% from 29%, bolstered by economies of scale and improved product mix.

Compared to Q2, gross profit increased net income for the quarter totaled \$1.47 million, up 77.5% from \$828,758 in Q3 of the last fiscal year. Compared to the quarter ended March 31, 2016, net income was up 77% as well. The recent quarter represented the 21<sup>st</sup> straight quarter that Cemtrex has been profitable. Based upon 8,538,701 million shares outstanding (as of May 9, 2016), earnings per share in the latest quarter were \$0.17 per share.

For the first three quarters of fiscal 2016, Cemtrex generated net sales of \$56.94 million, up from \$42.84 million in the year prior period. Net income for the nine months ended June 30, 2016 totaled \$2.58 million, or \$0.30 per share, compared to \$2.04 million, or \$0.35 per share, a year earlier. Cemtrex had fewer shares outstanding in the year earlier period.

### **Effects of Acquisitions Not Yet Realized and Other Sales Catalysts**

Indeed sales improved dramatically in the latest quarter. However, the acquisition of Periscope was only completed on May 31 and the acquisition of Advanced Industrial Services was only completed in mid-December. The benefits to the top and bottom lines will be better realized going forward due to the market opportunities at hand and cross-selling to the more than 50 customers that were already in the Cemtrex client list.

For example, in June Cemtrex had the best month in the corporate history with the receipt of \$12 million in new orders from existing customers and an important new automotive industry customer for Periscope.

As noted in a [shareholder letter](#) from Cemtex CEO and Chairman Saagar Govil, who was distinguished this year by Forbes as a "Top 30 Under 30" entrepreneur, the company is diversified in large markets forecast to experience consistent growth. New Venture Research predicts the EMS industry at \$621 billion in 2019, up from \$460 billion in 2014, as more companies rely on outsourcing electronics manufacturing. Drivers of this growth, namely electronics – including wearable, Internet of Things, robotics and automobiles – are right in Cemtrex's wheelhouse with its growing list of marquee clients.

The company's Industrial Products & Services (IPS) division, which is comprised of legacy assets and newly developed technologies, quietly experienced \$14 million in growth during fiscal 2015. The IPS division specializes in industrial air filtration, dust collection and emissions and process monitoring technology in the \$47 billion industry.

The air pollution control market has experienced some ebb and flows in interest over the years and now is experiencing concerted global initiatives like never before. The efforts are highlighted by the Paris Climate Accord (PCA) to curb greenhouse gas emissions and control climate change agreed to by 195 countries in December 2015. So far, 22 countries have ratified the deal, with U.N. Secretary-General Ban Ki-moon recently urging Argentina and other large countries to ratify the accord so it can go into force.

During a visit to the White House in June India's Prime Minister Narendra Modi's expressed to President Obama his willingness to commit to ratifying the PCA. Modi's commitment follows pledges by China and the U.S., the world's too biggest air polluters, to ratify the agreement in 2016.

If the agreement goes into force as anticipated, Centrex is in a commanding position as one of only two companies in the world with methane (greenhouse gas) reduction technology. Implementing a "cap and trade" system is the most efficient way to control greenhouse gases and, as it turns out, plays right into the offerings of Centrex. Centrex's VAMOX system generates carbon credits by eliminating low-level methane. The revenues companies, such as miners, utilities and industrials, collect from selling carbon credits provide a healthy return on investment after paying for the \$2.0 million cost of the VAMOX system in a matter of three to four years, giving them an economic incentive to pollute less.

Understand that methane, which is eight times more potent and carbon dioxide, is trapped in coalmine seams and constantly seeping out with fans blowing the gas into the atmosphere. VAMOX systems can capture and effectively eliminate the methane, generating carbon credits and cash flow for the mine's owner, even for non-operating assets. If the Paris agreement is ratified, the opportunity is there for Centrex to sell its VAMOX systems to thousands of coalmines in the U.S. alone.

Moreover, there will be greater demand for system monitoring and emissions control on a global scale, which should serve as a catalyst for Centrex. Also, in a bid to control spending, companies are increasingly using outside contractors for upgrades and to maintain their industrial plants, equipment and systems. Think of it along the lines of "there's no need to pay to keep a roofer on staff when the roof isn't leaking." For Centrex, these services are higher margin and help boost the bottom and top lines.

Centrex has been successfully executing at a high level on its business model, growing from a one product upstart in 2004 to a leading global industrial and manufacturing solutions company with over 500 employees and subsidiaries and representatives in eight countries. These efforts have resulted in 33% compound annual growth rate for revenue over the past five years, culminating in over \$56 million in sales in 2015. With the new subsidiaries, Centrex is forecasting net sales in excess of \$100 million this year. Further, the company has committed to return shareholder value through a share repurchase plan to buy-back one million shares in the open market over the next year, aligning the company for increased market value.

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