

August 11, 2022

CEMATRIX CORPORATION (CVX-TSXV, \$0.26)

Rating: **BUY**
Target Price: **\$0.80**

Q2 MISS ON SUPPLY CHAIN ISSUES

CEMATRIX Corporation		CVX	
<i>(Currency is C\$ unless noted otherwise)</i>			
Last Price (\$)			\$0.26
Target Price (\$)			\$0.80
Return to Target			208%
52-Week Trading Range (\$)		\$0.18 /	\$0.49
Average Daily Volume (90-Day)			86.6K
MARKET INFO			
Shares Outstanding (M)			133.9
Market Capitalization (\$M)			\$34.8
Enterprise Value (\$M)			\$26.1
FYE: DEC 31	F2021A	F2022E	F2023E
Revenue (\$M)	\$22.6	\$32.6	\$40.0
Gross Profit (\$M)	\$3.9	\$2.2	\$12.0
Gross Margin (%)	17%	7%	30%
Adj. EBITDA (\$M)	(\$0.7)	(\$5.1)	\$9.6
Adj. EBITDA Margin (%)	-3%	-16%	24%
MOST RECENT QUARTER		Jun-21	
Revenue (\$M)			\$4.0
Gross Profit (\$M)			(\$0.1)
Gross Margin (%)			-1%
Adj. EBITDA (\$M)			(\$1.3)
Adj. EBITDA Margin (%)			-33%
Cash and Equiv. (\$M)			\$13.8
Debt (\$M)			\$5.1
VALUATION	F2021A	F2022E	F2023E
EV/Revenue	1.2x	0.8x	0.7x
EV/EBITDA	NM	NM	2.7x
DISCLOSURE CODE:			2
<i>(Please refer to applicable disclosures on the back page)</i>			
Website: https://www.cematrix.com/			
Source: M Partners, Capital IQ, Bloomberg, Company Documents			



CEMATRIX Corporation is the rapidly expanding leader in the North American cellular concrete market, primarily focused on infrastructure applications. It conducts business in Canada through CEMATRIX (Canada) and in the U.S. through CEMATRIX (USA), MixOnSite, and Pacific International Grout.

CEMATRIX reported Q2/22 financial results yesterday after market close that missed our expectations. The miss was due to the global cement shortage and other supply chain issues. The cement shortage led to project delays, higher input costs and lost opportunities for the Company. We remind readers that CVX's revenue is seasonally weighted to the back half of the year, and that management is on track to deliver a record quarter in Q3. From our conversations with management, CVX is still confident with its \$33M revenue guidance for 2022, thus pushing forward our revenue assumptions from this quarter.

Additional highlights from the quarter include:

- Revenue of \$4.0M vs. our expectations of \$6.0M and \$4.0M generated in Q2/21. The U.S. segment generated \$2.7M in sales and the Canadian segment generated \$1.4M in sales.
- Gross margin of -1% vs. our estimate of 15% and 5% in the same quarter last year.
- Adjusted EBITDA of -\$1.3M vs. our expectations of \$0.6M and -\$0.9M in Q2/21.
- The Company ended the quarter with a cash balance of \$13.8M.

Quarterly Financials Summary				
	Q2/21A	MPI Est.	QoQ	YoY
Revenue (\$M)	\$4.0	\$6.0	-21%	+0%
Gross Margin (%)	-1%	15%	NM	NM
Adjusted EBITDA (\$M)	(\$1.3)	\$0.6	NM	NM

Figure 1: Quarterly Financials Summary

Subsequent to the quarter, CVX announced that it has executed \$22.5M in new contracts, \$19.7M of which were converted from contracts in process. This includes a \$20.3M contract with Balfour Beatty Infrastructure for the backfill of several new overpasses in North Carolina. The project was originally awarded 2.5 years ago but finally management expects to begin processing and placing material on site in early 2023. The backlog now stands at \$87.9M, including \$42.1M of contracted projects and \$45.8M of contracts in process.

We continue to be encouraged by the increased visibility (i.e., the introduction of formal guidance and additional clarity on the timing of new contracts) and improved outlook from management. As such, we are still confident that CVX will hit an inflection point later this year where the business can grow rapidly and profitably. **We are maintaining our BUY recommendation and target price of \$0.80/share based on 10.0x 2023E EBITDA.**

Disclosure Code: 2

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Rating System	
Buy:	Price expected to rise
Speculative Buy:	Buy rating with increased risk
Hold:	Properly priced
Sell:	Price is inflated and expected to decrease
Under Review (U/R):	Under review
Not Rated (N/R):	Not currently rated

Summary of Recommendations	
Buy	17
Speculative Buy	1
Hold	0
Sell	0
U/R	1
Total	19