

Cardinal Infrastructure Group: integrate Allied or keep acquiring?

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Company: Cardinal Infrastructure Group Inc. (Nasdaq: CDNL; CIK 0002079999)

Decision setting: Constructed strategy-and-finance exercise; no board vote or internal proposal is disclosed

Information cutoff: October 2, 2026, 4:00 p.m. ET

The decision

You advise Cardinal Infrastructure Group's leadership on October 2, the day after Allied Paving closed. Cardinal has spent the past year expanding its site-civil platform and now has a newly amended acquisition facility. Your task is to recommend how management should govern any next delayed-draw term-loan (DDTL) advance and sequence future acquisitions against integrating Allied, expanding self-perform capacity, and protecting liquidity.

This is a constructed decision. Cardinal has not disclosed a board proposal, a target pipeline, an available discretionary cash pool, or a decision to make another acquisition. The public record does not show whether the DDTL funded Allied or how much availability remains after closing.

Assignment: Recommend one of the three policies below, or a clearly specified alternative. Define the evidence and contractual conditions that would permit, delay, or stop a future acquisition. Identify the strongest counterargument and the information you would request before committing capital. Do not calculate a company valuation from the information provided.

A platform built through self-performance and acquisitions

Cardinal is a full-service site and civil contractor operating primarily in the Southeast. Its work includes wet utilities, grading, site clearing, erosion control, drilling and blasting, paving, and related site services. Management describes its strategy as self-performing more work, diversifying end markets, and making selective geographic or service acquisitions. [P01; P02, HTML lines 1436-1439]

Allied Paving closed on October 1. Cardinal reported approximately \$115 million of consideration: \$88.9 million in cash and 1,006,796 Class A shares, subject to customary post-close adjustment. Before closing, the company had estimated \$120 million of consideration, approximately \$108 million of annual revenue, a 20.3% adjusted EBITDA margin, and a 5.5x adjusted EBITDA purchase multiple. Its closing release described Allied's standalone revenue as approximately \$100 million. The public record does not reconcile the two revenue estimates or provide a new EBITDA estimate or purchase multiple. [P03, lines 30-42, 76-81; P06, 8-K lines 74-82; Ex. 99.1 lines 10-17]

Management's strategic rationale is that Allied's Northern Georgia paving crews can follow Cardinal grading and site-development teams, shifting some work from subcontractors to internal crews. The company said some Allied volume would appear in margin on Cardinal projects rather than consolidated revenue. These are management's operating hypotheses; no post-close synergy or utilization results were public by the cutoff. [P06, Ex. 99.1 lines 15-17]

Growth with margin pressure

For the second quarter of 2026, revenue was \$226.9 million, up 114% year over year; the company reported 64% organic growth. Adjusted EBITDA was \$28.1 million, up 43%. At the same time, GAAP gross margin declined to 10.8% from 13.9%, and adjusted EBITDA margin fell to 12.4% from 18.6%. Management cited subcontractor and equipment-rental costs, project and end-market mix, acquisition-related amortization, accelerated corporate investment, and weather. It expected to recover some weather-related costs in the second half and said margins should improve as newer markets mature. These explanations and expectations are not a measured bridge or proof of future improvement. [P02, HTML lines 1501-1515; P03, lines 47-68]

At June 30, reported backlog was \$866 million: \$701 million of signed contracts and \$165 million of letters of intent or issued contracts. Management estimated \$734-812 million would be recognized over the following 12 months. Backlog is a company-defined non-GAAP operating measure, can include low bids where management sees no apparent impediment to award, and is exposed to cancellation, scope, permitting, and timing risk. It is not guaranteed revenue, cash, or profit. [P02, HTML lines 1731-1764]

First-half capital expenditures net of disposals were \$34.0 million, versus \$22.6 million in the prior-year period. The 10-Q says spending was materially higher than prior years as Cardinal began an asphalt-plant project and upgraded its fleet; the company also listed acquisitions as a potential source of future spending. It did not disclose the plant's cost to complete, utilization case, return, or remaining commitments. [P02, HTML lines 1726-1728]

What the acquisition facility does-and does not-provide

A September amendment added up to \$250 million of DDTL commitments for permitted acquisitions and fees, costs, and expenses connected with those acquisitions. Up to five advances may be requested through March 2028. The same amended package raised the revolver from \$75 million to \$100 million. On September 24, Cardinal said the DDTL was undrawn at the completion of syndication and described \$550 million of total commitments across multiple facilities. That September 24 status predates Allied's October 1 closing. [P04, Ex. 10.1 §§2.13(e), 2.27; P05]

The DDTL is not a general integration or capex facility. The agreement's definition of Permitted Acquisition generally requires a non-hostile acquisition by a Loan Party of a U.S. Related Business. For a stock purchase, the target must be U.S.-organized and have positive EBITDA for the latest 12 consecutive full fiscal months ended at least 45 calendar days before closing. Separately from the borrowing test, acquisition eligibility requires at least \$50 million of agreement-defined Liquidity immediately before and after giving effect to the acquisition, its cash consideration, and debt incurred or assumed; DDTL proceeds are excluded. The acquisition must also meet solvency, no-default, and pro forma covenant conditions. A "Specified Acquisition"-one with aggregate consideration above \$50 million, including assumed debt, earn-outs, deferred price, stock, and transaction fees/costs-has a 2.25x pro forma leverage ceiling; other acquisitions have a 2.00x ceiling, unless Required Lenders approve in writing. [P04, Ex. 10.1 §1.1, HTML lines 1798-1838, especially 1803-1817, and line 2092; Liquidity definition lines 1643-1645 and Unrestricted Cash line 2207]

Every DDTL advance has separate draw conditions: no default, accurate representations, pro forma compliance with the agreement's covenants, leverage no greater than 2.25x, and at least \$50 million of defined Liquidity excluding DDTL proceeds. Defined Liquidity is unrestricted cash plus actually drawable revolver availability. These are contractual tests, not evidence of current headroom. Public sources by the cutoff do not confirm whether an advance funded Allied or disclose post-close DDTL capacity, current covenant leverage, or Liquidity. [P04, Ex. 10.1 §§3.2-3.3, lines 3051-3075; §1.1, lines 1643-1645 and 2207; P06]

Three policies to consider

Policy	What management would do	Strategic benefit	Main risk and missing evidence
1. Integrate first; defer additional DDTL draws	Use operating resources and any separately available general-corporate funding for Allied integration and the already-started asphalt/fleet work. Review another acquisition only after operating milestones are visible.	Limits execution stacking while Cardinal tests crew coordination, subcontractor displacement, plant/fleet use, and margin recovery.	May slow geographic or service expansion. Integration and capex are not DDTL uses; separate funding availability is not disclosed.
2. Selective, contract-compliant acquisitions	Consider one additional acquisition at a time only after strategic, diligence, integration-capacity, liquidity, leverage, and contractual tests are met; review results before a later draw.	Preserves growth optionality while limiting simultaneous integration demands.	No target pipeline, target economics, remaining DDTL availability, or post-close headroom is public. Student-set gates are assumptions, not company policy.
3. Accelerate qualifying acquisitions under a liquidity-first rule	Consider multiple qualifying acquisitions within the DDTL window, provided each transaction and advance meets the agreement and a separately defined liquidity reserve is maintained. Fund integration and self-perform capex from separate sources.	Could build route density and complementary crews more quickly.	Increases financing and management-bandwidth risks while margins are below prior-year levels; the facility's post-Allied availability is unknown.

All three are constructed alternatives. The credit agreement's advance limit, permitted-use terms, eligibility tests, and covenants govern any real draw; a classroom recommendation cannot waive them. Any additional reserve, return hurdle, timing gate, or integration threshold proposed by students is an assumption, not a disclosed Cardinal target.

Exhibits

Exhibit 1. Operating performance and backlog

Measure	Q2 or June 30, 2026	Comparison / definition
Q2 revenue	\$226.9m	+114% year over year; company-reported organic growth +64%
Q2 adjusted EBITDA	\$28.1m	+43% year over year; adjusted EBITDA margin 12.4% vs 18.6%
Q2 GAAP gross margin	10.8%	13.9% in prior-year quarter
Backlog	\$866m	\$701m signed contracts; \$165m LOIs/issued contracts
Expected next-12-month recognition	\$734-812m	Management estimate; not guaranteed revenue or profit

Source: P02, HTML lines 1501-1515 and 1731-1764; P03, lines 47-68. Adjusted metrics and backlog are non-GAAP/company-defined measures.

Exhibit 2. Cash, investment, and financing at different dates

Item	Amount	Date and interpretation
Cash	\$339.1m	June 30 balance-sheet amount; not an October 2 cash balance
H1 operating cash flow	\$22.0m	Six months ended June 30
H1 investing cash flow	\$(167.1)m	Primarily ALGC/Piedmont acquisitions; not a capex-only measure
H1 financing cash flow	\$387.0m	Primarily equity proceeds and notes payable
H1 capex, net of disposals	\$34.0m	Compared with \$22.6m in H1 2025
DDTL commitment	Up to \$250m	Added in September for permitted acquisitions and related transaction fees/costs; up to five advances through March 2028
Total facility commitments	\$550m	September 24 issuer description across several facilities; DDTL then undrawn
Allied closing consideration	~\$115m	October 1: \$88.9m cash plus 1,006,796 shares; subject to post-close adjustment

Sources: P02, HTML lines 1598-1640 and 1726-1728; P04, Ex. 10.1 §§2.13(e), 2.27; P05; P06, 8-K lines 74-82. Do not add \$250m to June 30 cash or infer current facility availability after Allied.

Exhibit 3. DDTL eligibility and advance tests

Test	Agreement term
Permitted use	Permitted Acquisition and its fees, costs, and expenses; not general integration or stand-alone capex
General acquisition eligibility	Non-hostile U.S. Related Business transaction by Loan Party; stock target organized in U.S. and positive EBITDA over latest 12 consecutive full fiscal months ended at least 45 calendar days before closing
Acquisition-level liquidity	At least \$50m of agreement-defined Liquidity immediately before and after the acquisition, including its cash consideration and debt incurred/assumed; DDTL proceeds excluded
Acquisition leverage	Pro forma ceiling 2.25x for Specified Acquisition (> \$50m broad aggregate consideration); 2.00x for other acquisitions, unless Required Lenders approve in writing
Every-advance liquidity	At least \$50m of agreement-defined Liquidity, excluding DDTL proceeds; Liquidity is unrestricted cash plus actually drawable revolver availability
Every-advance leverage / status	Pro forma covenant compliance and leverage $\leq 2.25x$; no default, accurate representations, and required certifications

Source: P04, Ex. 10.1 §1.1 lines 1798-1838 (including stock-target test at 1803 and acquisition liquidity/leverage tests at 1806-1817), Specified Acquisition definition line 2092, Liquidity definition lines 1643-1645 and Unrestricted Cash line 2207; §§2.13(e), 2.27, 3.2-3.3 lines 2951-2955, 3051-3075, 3378-3392. Acquisition-level and each-advance \$50m Liquidity tests are separate. The terms establish eligibility constraints, not current headroom or remaining availability.

Discussion questions

1. Which policy would you recommend, and what specific operating or financing evidence would trigger a draw, delay, or stop?
2. How should management measure whether Allied's crews and the asphalt/fleet investments improve project economics rather than merely increasing reported scale?
3. What data would you require to assess cash generation, integration capacity, and downside protection before any next acquisition?
4. What is the strongest argument against your recommendation, and who bears the cost if Cardinal grows too quickly-or waits too long?

Sources

- **P01:** 2025 Form 10-K, strategy and historical company context.
- **P02:** Q2 2026 Form 10-Q, accepted Aug. 11, 2026; financial results, liquidity, capex and backlog.
- **P03:** Q2 results and 2026 outlook, SEC Ex. 99.1, Aug. 11, 2026; results and pre-close Allied estimates.
- **P04:** Sept. 10 credit-agreement amendment, SEC 8-K and Ex. 10.1; legal uses, acquisition eligibility and draw conditions.
- **P05:** Sept. 24 issuer release on completed syndication; dated facility summary and then-undrawn DDTL status.
- **P06:** Oct. 1 acquisition-closing 8-K and Ex. 99.1; Allied close and management's operating rationale.