

GlyEco Inc. (OTCQB: GLYE)

May 21, 2015
Target Price: \$1.10
Recent Price: \$0.19

Market Data

Fiscal Year	December
Industry	Green Tech
Market Cap	\$11.9M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	0.88x
Price/Sales (ttm)	2.03x
Institutional Ownership	32.07%
Insider Ownership	17.9%
Shares Outstanding	70.46M
Float	47.86M
Avg. Daily Vol. (3 mos.)	64,4354

As of November 20, 2014

Balance Sheet Snapshot

	MRQ
Cash	\$1.5M
Debt	\$1.1M

Income Snapshot

	TTM
Revenue	\$5.89M
EBITDA	(\$5.31M)
Net Loss	(\$6.49M)

Company Overview

GlyEco, Inc. is a cleantech innovator formed in 2006 to roll out its proprietary and patent-pending recycling technology, branded GlyEco Technology™, which transforms hazardous waste glycols into profitable green products. GlyEco Technology is the only technology on the market that is capable of profitably making Type 1 refinery-grade recycled glycol.

Glycols are an indispensable production component in five industries (automotive, textiles, airline, medical, and HVAC). Demand continues to exceed supply for ethylene glycol, largely because of explosive growth in poly-fiber manufacturing to make plastic beverage bottles. This trend is expected to continue well into the future.

Valuation

We have derived a target price of \$1.10, based on 2016E revenue of \$34.9 million (revenue per share of \$0.55), and an EV/Sales multiple of 2.0x. While recent results have underperformed compared to expectations, a substantial long-term opportunity remains. Large amounts of infrastructure investments have already been made, and operational improvements could cause the Company to outperform our expectations. Capacity increases imply that Company revenue could outperform both our 2015 and 2016 revenue projections.

Investment Highlights

GLYE developed a proprietary, patent-pending recycling technology that addresses a \$25B unmet market need.

- Unlike traditional glycol recycling technology, which differs in results from provider to provider and has only had success in automotive applications, GlyEco Technology™ produces virgin-equivalent ethylene glycol.
- This end product result allows GLYE to address four additional substantial market opportunities that have to-date gone unmet (HVAC, textiles, airline, and medical).
- 700 million to 900 million gallons of ethylene glycol are used in North America each year, and approximately 6 billion gallons are consumers worldwide

GLYE is a first mover in this market with limited competition from established ethylene glycol producers.

The Company's proprietary, patent-pending technology should lead to 30-35% gross margins for GLYE.

- The Company's GlyEco Technology™ offers a 20%-50% reduction in processing costs over currently utilized methods.

Pipeline of completed acquisitions set to grow GLYE profits as capacity expansion and retrofits occur.

- Initial technology upgrades for the implementation of Type I glycol recycling have been completed at the Company's Elizabeth, New Jersey facility, resulting in the initial production of Type 1 compliant recycled glycol for commercial use.
- Capacity has been expanded from 2.3 million to 7 million gallons; target 2014 overall capacity of 15-18 million gallons

Environmental regulations and the development of industry-wide standards expected to accelerate long-term growth potential for GLYE.