



GlyEco, Inc.
OTCQB: GLYE

August 20, 2014
Target Price: \$4.00
Recent Price: \$0.67

Market Data

Fiscal Year	December 31
Industry	Green Tech
Market Cap	\$39.0M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	2.8x
Price/Sales (ttm)	5.5x
Insider Ownership	34.7%
Institutional Ownership	9.9%
Shares Outstanding	58.2M
Float	31.8M
Avg. Daily Vol. (3 mos.)	55,513
<i>As of August 20, 2014</i>	

Income Snapshot

	TTM
Revenue	\$6.1M
EBITDA	(\$4.4M)
Net Loss	(\$5.6M)

Balance Sheet Snapshot

	MRQ
Cash	\$2.0M
Debt	\$0.1M

Capacity Expansion Sets the Stage for Increased Sales Volume

Revenue increased 13% YoY. In 2Q14, GLYE reported revenue of \$1.6 million, a 13% YoY increase as compared to 2Q13 revenue of \$1.4 million. The revenue increase was due to increased production capabilities and entry into new markets. Gross margins were (1%) in 2Q14. The primary factor behind the low margins in 2Q14 was infrastructure investments and the transition to Type 1 (T1) refinery-grade recycled glycol at the New Jersey facility. The New Jersey facility had low production volume in 2Q14, but this is expected to accelerate going forward, leading to much higher gross margins. Net equipment assets at the end of 2Q14 were \$7.9 million, a 43% increase from net equipment assets of \$5.5 million at the end of 4Q13. This shows the large investments that GLYE has been making in infrastructure, and we expect this to lay the foundation that leads to increased volume and gross margins in future quarters. The Company generated a net loss of \$1.1 million in 2Q14, as compared to a net loss of \$199,435 in 2Q13.

Sales volume expected to accelerate going forward. GLYE's infrastructure investments have grown capacity from 2.3 million gallons to approximately 7 million gallons, and the Company anticipates that additional upgrades over the rest of 2014 should get capacity to about 15 to 18 million gallons. There is an estimated 700 million to 900 million gallons of ethylene glycol used in North America each year, providing GLYE with ample feedstock and customer demand that should lead to strong capacity utilization at its facilities. As an example of this, the Company's Minnesota facility, which had a capacity increase of approximately 350-400%, has already had a 40% increase in revenue despite upgrades being completed very recently. Infrastructure upgrades and market conditions should lead to larger sales volumes in the coming quarters.

Gross margins will increase as T1 production increases. Infrastructure investments have led to fixed operating costs lowering gross margins. As sales volumes accelerate, cost per unit sold will begin to decline as fixed costs are spread over a larger volume of sales. GLYE management expects future gross margins will be approximately 30-35%. We expect sales at the New Jersey facility to begin accelerating, and for gross margins to rise as sales from this facility increase.

International expansion plans are gaining momentum. GLYE's initial international expansion is occurring in Canada, as GLYE is now registered in all five Canadian provinces. The Company's facilities in the Northeast can service parts of Canada, and GLYE is receiving loads from Canada. Elsewhere, GLYE is developing a plan to expand into Europe, China, and the Middle East over the next 12 to 18 months. The majority of the world's 6 billion gallon ethylene glycol usage occurs outside of North America, providing GlyEco with the opportunity to eventually produce ample revenue outside of North America.

Reiterating target price of \$4.00. Infrastructure improvements have GLYE poised to grow revenue in the coming quarters, and we are expecting to begin seeing stronger overall results. Given the large market need for its products and low competition, we believe that GlyEco remains undervalued.

Additional Information

Legal: Hool Law Group

Auditor: Jorgensen & Co.

Transfer Agent: Olde Monmouth Stock Transfer Co., Inc.

[Company Information](#)

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