



GlyEco, Inc.
OTCQB: GLYE

November 20, 2014
Target Price: \$1.10
Recent Price: \$0.42

Market Data

Fiscal Year	December 31
Industry	Green Tech
Market Cap	\$24.5M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	1.9x
Price/Sales (ttm)	3.7x
Insider Ownership	17.8%
Institutional Ownership	6.5%
Shares Outstanding	58.2M
Float	38.2M
Avg. Daily Vol. (3 mos.)	40,635

As of November 20, 2014

Income Snapshot

	TTM
Revenue	\$6.3M
EBITDA	(\$4.6M)
Net Loss	(\$8.2M)

Balance Sheet Snapshot

	MRQ
Cash	\$1.5M
Debt	\$1.1M

3Q14 Revenue Increased 10% YoY; Capacity Expansion and Operational Improvements Continue at Facilities

Revenue increased 10% YoY. In 3Q14, GLYE reported revenue of \$1.3 million, a 10% YoY increase as compared to 3Q13 revenue of \$1.2 million. While revenue was lower than reported revenues in 1Q14 and 2Q14, this is primarily due to seasonality, as the 3rd quarter tends to be the slowest quarter for glycol sales. Gross margins were negative for the fifth straight quarter at (14.7%). The reason for the negative gross margin was the continued investment in equipment and processes for Type 1 glycol at the Company's New Jersey facility. This led to an increase in average cost per good sold (due to additional fixed costs) without an associated increase in sales of Type 1 glycol. Overall, the Company generated a net loss of \$1.8 million in 3Q14, as compared to a net loss of \$1.5 million in 3Q13.

Focus on improving profitability and controlling costs going forward. GLYE management stated that its focus for FY15 will be on improving company profitability, controlling costs and growing production volume. Throughout 2014, the Company has had to implement new operational processes at its New Jersey facility, along with handling various administrative issues. GLYE plans to continue building infrastructure at its NJ Processing Center through 1Q15 to increase processing capability and improve efficiencies. Given further infrastructure investments at New Jersey, we are projecting negative gross margins to persist through 2Q15, following which we project gross margins to turn positive and begin increasing from there. Once infrastructure investments are completed, production capacity at the New Jersey facility is projected to be between 12-15 million gallons with gross margins in excess of 30%.

Production increased 10-84% at five of GLYE's seven facilities. Five of the Company's glycol production facilities (GLYE has seven in total), have shown production increases of between 10-84% YoY. Production capacity has increased significantly at the majority of these facilities, giving further potential for production increases and margin improvement. GLYE will be implementing incentive plans in order to drive further operational improvements at these facilities.

GLYE plans to grow internationally through an agreement with Haldor Topsoe. GLYE announced that it signed a non-binding Memorandum of Understanding with world-leading catalysis and process technology firm Haldor Topsoe. Haldor Topsoe generated nearly \$1 billion in revenue in 2013. The international division will be spun out into a special entity, and the two companies are currently finding initial projects for development.

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.

	1Q13	2Q13	3Q13	4Q13	FY2013	1Q14	2Q14	3Q14	4Q14	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	1Q16E	2Q16E	3Q16E	4Q16E	2016E
REVENUES	1,232,667	1,417,473	1,163,607	1,724,258	5,538,005	1,653,041	1,606,990	1,281,791	1,897,051	6,438,873	1,991,903	2,461,000	3,150,150	4,113,000	11,716,053	6,129,013	8,205,991	9,327,894	11,231,650	34,864,347
YoY Revenue Growth	194.3%	716.8%	283.5%	364.9%	337.3%	34.1%	13.4%	10.2%	10.0%	16.3%	20.5%	53.1%	145.8%	716.8%	82.0%	207.7%	233.4%	196.1%	173.1%	197.8%
QoQ Revenue Growth	232.3%	15.0%	-17.9%	462.2%	-	-4.1%	-2.8%	-20.2%	48.0%	5.0%	5.0%	10.0%	12.0%	25.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Cost of Goods Sold	1,165,582	941,864	1,203,240	1,882,759	5,193,445	1,661,423	1,629,257	1,468,709	2,029,844	6,790,233	2,091,660	2,436,390	3,024,144	3,825,090	11,337,284	5,393,531	7,182,324	8,423,738	27,728,505	
Gross Profit	67,085	475,609	(39,633)	(158,501)	344,560	(8,382)	(22,267)	(187,918)	(132,794)	(351,361)	(93,757)	24,610	126,006	287,910	378,769	735,482	1,477,078	2,145,370	2,807,913	7,165,842
Gross Margins	5.4%	33.6%	-3.4%	-9.2%	6.2%	-0.5%	-1.4%	-14.7%	-7.0%	-5.5%	-3.0%	1.0%	4.0%	7.0%	3.2%	12.0%	18.0%	23.0%	25.0%	20.5%
OPERATING EXPENSES																				
Consulting Fees	158,742	189,973	-	170,142	680,196	141,166	144,744	-	-	285,910	-	-	-	-	-	-	-	-	-	-
Salaries and Wages	157,517	191,040	196,560	830,677	271,575	243,579	242,585	246,617	1,004,356	258,947	270,710	283,514	287,910	1,101,081	387,741	410,300	419,746	449,266	1,647,053	
SG&A as % of rev	12.8%	13.5%	16.9%	16.6%	15.0%	16.4%	15.2%	13.0%	15.6%	13.0%	11.0%	9.0%	7.0%	9.4%	6.0%	5.0%	4.5%	4.0%	4.7%	
Share-based compensation	-	-	839,210	226,078	1,065,288	472,774	238,758	787,373	225,000	1,723,905	475,000	240,000	785,000	225,000	1,725,000	498,750	252,000	824,250	236,250	1,811,250
Legal and professional fees	63,575	58,601	-	101,092	286,728	36,913	199,388	-	236,301	-	-	-	-	-	-	-	-	-	-	-
General and administrative	108,177	188,590	346,669	483,490	900,463	215,754	214,929	522,195	531,174	1,484,052	537,814	566,030	589,629	616,950	2,319,322	674,191	738,539	839,482	898,532	3,150,755
GA&A as % of rev	8.6%	13.3%	29.8%	28.0%	16.3%	13.1%	13.4%	40.7%	28.0%	23.0%	27.0%	19.0%	15.0%	19.6%	11.0%	9.0%	9.0%	9.0%	8.0%	9.0%
Loss on sale of fixed assets	-	-	-	(1,664)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OPERATING EXPENSES	483,911	628,204	1,362,439	1,264,698	3,763,352	1,138,162	1,041,398	1,552,153	4,734,524	1,271,761	1,076,740	1,687,042	1,129,860	5,145,403	1,540,682	1,400,839	2,003,489	1,584,048	1,223,865	6,609,057
Operating Income	(420,926)	(152,595)	(1,422,072)	(1,423,199)	(3,418,732)	(1,146,564)	(1,063,665)	(1,740,071)	(1,135,584)	(5,085,844)	(1,331,518)	(1,052,130)	(1,541,039)	(841,950)	(4,766,634)	(805,201)	76,240	61,881	1,223,865	556,784
Operating Margin	-34.1%	-10.8%	-122.2%	-82.5%	-61.7%	-69.4%	-66.2%	-136.8%	-59.9%	-79.0%	-66.8%	-42.8%	-48.9%	-20.5%	-40.7%	-13.1%	0.9%	0.7%	10.9%	1.6%
OTHER (INCOME) EXPENSES																				
Interest Income	(528)	(428)	(383)	(1,176)	(2,496)	(578)	(66)	(383)	(383)	(1,410)	(383)	(383)	(383)	(383)	(1,532)	(383)	(383)	(383)	(383)	(1,532)
Interest Expense	56,530	47,269	48,046	438,943	592,788	44,977	45,666	46,348	46,848	183,739	47,548	48,148	48,748	48,348	183,792	49,948	50,548	51,148	51,748	203,992
Other	-	-	-	4,043	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER (INCOME) EXPENSE	55,002	46,840	47,663	441,810	594,335	44,399	45,000	45,965	46,565	182,329	47,165	47,765	48,365	48,965	192,260	49,565	50,165	50,765	51,365	201,560
Loss before provision for income taxes	(475,928)	(199,435)	(1,469,755)	(1,865,009)	(4,013,127)	(1,190,963)	(1,099,665)	(1,786,036)	(1,192,149)	(5,268,213)	(1,378,683)	(1,099,895)	(1,589,401)	(890,915)	(4,958,894)	(854,766)	26,075	11,116	1,725,500	354,924
Provision for income taxes	-	-	-	-	-	1,266	2,476	11,262	13,862	28,266	15,262	17,262	19,262	21,262	73,048	23,262	25,262	27,262	29,262	105,048
NET LOSS	(475,928)	(199,435)	(1,469,755)	(1,865,009)	(4,013,127)	(1,192,229)	(1,111,541)	(1,797,298)	(1,195,411)	(5,296,479)	(1,393,945)	(1,117,157)	(1,608,663)	(912,177)	(5,031,942)	(878,028)	813	(16,146)	1,443,238	249,676
Net Margin	-38.9%	-14.1%	-126.3%	-108.2%	-72.6%	-72.1%	-69.2%	-140.2%	-63.0%	-82.3%	-70.0%	-45.4%	-51.1%	-22.2%	-42.9%	-14.3%	0.0%	-0.2%	10.2%	0.7%
Premium on Series AA Preferred conversion to common shares	-	-	-	-	-	-	-	-	-	2,243,410	-	-	-	-	-	-	-	-	-	-
Net loss available to common stockholders	(475,928)	(199,435)	(1,469,755)	(1,865,009)	(4,013,127)	(3,435,639)	(1,111,541)	(1,797,298)	(1,195,411)	(7,539,889)	(1,393,945)	(1,117,157)	(1,608,663)	(912,177)	(5,031,942)	(878,028)	813	(16,146)	1,443,238	249,676
LOSS PER COMMON SHARE																				
Basic	(0.01)	(0.01)	(0.03)	(0.04)	(0.09)	(0.07)	(0.02)	(0.03)	(0.02)	(0.10)	(0.02)	(0.02)	(0.03)	(0.01)	(0.08)	(0.01)	0.00	(0.00)	0.02	0.00
Diluted	(0.01)	(0.01)	(0.03)	(0.04)	(0.09)	(0.07)	(0.02)	(0.03)	(0.02)	(0.10)	(0.02)	(0.02)	(0.03)	(0.01)	(0.08)	(0.01)	0.00	(0.00)	0.02	0.00
Basic Weighted Avg number of Common Shares	38,387,216	39,481,793	42,222,780	45,527,044	49,486,052	51,906,725	58,030,627	58,030,627	58,030,627	54,415,413	58,238,249	58,238,249	61,238,249	61,238,249	59,738,249	61,238,249	61,238,249	61,238,249	61,238,249	64,238,249
Diluted Weighted Avg number of Common Shares	38,387,216	39,481,793	42,222,780	45,527,044	49,486,052	51,906,725	58,030,627	58,030,627	58,030,627	54,415,413	58,238,249	58,238,249	61,238,249	61,238,249	59,738,249	61,238,249	61,238,249	61,238,249	61,238,249	64,238,249

Additional Information

Legal: Hool Law Group

Auditor: Jorgensen & Co.

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

[Company Information](#)

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