

RESEARCH UPDATE**Dave Storms, CFA**Dave@stonegateinc.com

214-987-4121

Market Statistics in AUD

Price	\$ 0.06
52 week Range	\$0.02 - \$0.08
Daily Vol (3-mo. average)	1,770,900
Market Cap (M)	\$ 85.0
Enterprise Value (M)	\$ 85.2
Shares Outstanding: (M)	1,366.6
Float (M)	1,152.8
Public Ownership	79.5%
Institutional Ownership	3.9%

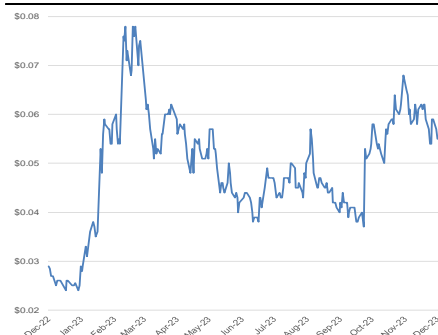
Financial Summary in AUD

Cash (M)	\$ 4.3
Cash/Share	\$ 0.00
Debt (M)	\$ -
Equity (M)	\$ 13.9
Equity/Share	\$ 0.01

FYE: Jun **2022** **2023E** **2024E**

(all figures in M, expect per share information)

Rev	\$ 4.3	\$ 15.7	\$ 24.9
Chng%	123%	65%	58%
EBITDA	\$ (7.3)	\$ 1.5	\$ 9.3
Net Income	\$ (11.8)	\$ (2.9)	\$ 3.2
EPS	\$ (0.86)	\$ (0.21)	\$ 0.22
EV/Revenue	12.7x	6.9x	4.2x
EV/EBITDA	-5.1x	-29.5x	15.6x
P/E	0.0x	-0.3x	0.2x

**COMPANY DESCRIPTION**

BluGlass Limited ("BLG" or "the Company") is an Australian and US based laser diode manufacturer that specializes in visible light, or Gallium Nitride (GaN), lasers. BluGlass offers a full suite of end-to-end laser diode services that includes design, fabrication, and packaging capabilities that can range from off-the-shelf products to unique customized products. The Company supports this with vertically integrated manufacturing capabilities at its fabrication centers located in Fremont, California, Nashua, New Hampshire, and Sydney, New South Wales. BluGlass Limited was originally established in 2006 after spinning out from Macquarie University. In the same year, the company was listed on the Australian Stock Exchange under the ticker symbol "BLG".

BLUGLASS LIMITED (ASX: BLG)**COMPANY UPDATES**

2H23 Results: BluGlass ended FY23 with revenues of A\$9.5M, an increase of 123% year over year. This was primarily driven by R&D grants of A\$8.3M, up 148% from the prior year. Most notable was the addition of revenue from laser diode sales, which the Company did not have in FY22. We expect that BLG will see a significant increase in laser diode revenues over the coming quarters as it increases manufacturing. We believe that BLG is well positioned as a pure play GaN laser provider to grow and capitalize on the GaN laser systems market that is expected to reach \$2.5B by 2025.

Strong Partnerships: BLG has strong partnerships across a number of different institutions, both public and private. On the public side BLG is partnering with Ganvix to develop Vertical Cavity Surface Emitting Lasers (VCSELs) with the goal of bringing commercial viability to green wavelength lasers. The Company is also in partnerships with both the University of Santa Barbara California (USBC) and North Carolina State University (NCSU). The partnership with USBC is to bring visible Distributed Feedback (DFB) Lasers to commercial viability, which are lasers that are very narrow in width and high in purity, leading to uses in highly technical applications. The partnership with NCSU is BLG's most recent partnership and is funded by CHIPS Act spending. Most recently the NCSU partnership has seen the Company sign a contract worth A\$2.6M. It is anticipated that these partnerships will help the Company further develop its portfolio and improve pathways to commercial viability.

Vertical Integration: In 2022 BLG acquired a purpose-built laser diode fabrication facility located in Silicone Valley. This acquisition quadrupled the wafer capacity and development turns to help meet customer demand. The Silicone Valley facility makes BLG a vertically integrated operation that can be with the customer from design to packaging and testing. By becoming vertically integrated the Company added functionality and increased ASP. This was further improved upon in December of 2023 when the Company acquired contract manufacturer GaNWorks Foundry. This acquisition includes specialty assets that complete the vertical integration of its Silicone Valley facility. This was in concert with the transition of a senior engineer to its Fremont facility to spearhead these new capabilities. The asset transfer is expected to be completed before the end of 2023.

Current Portfolio: BLG offers a portfolio of lasers spanning several wavelengths, launched in 2023. This initial cohort of wavelengths included violet at 405nm and 420nm as well as blue at 450nm. BLG shows a rapidly progressing improvement curve with devices already rivaling comparable companies' performance. As the Company continues to innovate, we expect the portfolio to grow and take advantage of the above-mentioned manufacturing capabilities to serve an often-ignored portion of the laser diode market. This also makes BLG well positioned to take advantage of the many macro tailwinds we see on the horizon, one of which is the A\$15.0B Australian National Reconstruction Fund discussed in this report.

Valuation: We use a combination of comparative analysis and DCF analysis frame our valuation for BLG. This arrives at a valuation range of A\$0.15 to A\$0.19 with a mid-point of A\$0.17. At an exchange rate of A\$1.52AUD/USD, this is equal to a range of \$0.10 to \$0.13 with a mid-point of \$0.11.

Business Overview

BluGlass Limited (“BLG” or “the Company”) is an Australian and US based laser diode manufacturer that specializes in visible light Gallium Nitride (GaN) lasers. BluGlass offers a full suite of end-to-end laser diode services that includes design, fabrication, and packaging capabilities that can range from off-the-shelf products to unique customized products. The Company supports this with vertically integrated manufacturing capabilities at its fabrication centers located in Fremont, California, Nashua, New Hampshire, and Sydney, New South Wales.

BluGlass Limited was originally established in 2006 after spinning out from Macquarie University. In the same year, the company was listed on the Australian Stock Exchange under the ticker symbol “BLG”. In 2012, the Company completed its proof-of-concept for the delivery of semiconductor materials grown using its proprietary remote plasma chemical vapor depositions (RPCVD) manufacturing technology. This method is more efficient than the legacy methods of manufacturing, while retaining the scalability of MOCVD. In 2019 the Company launched its direct-to-market GaN laser diode business unit. In 2023 the Company began commercial production of its products and won membership into the Commercial Leap Ahead for Wide-bandgap Semiconductors (CLAWS) Hub, discussed in more detail below. As of 2Q23 BLG holds 53 international patents.

Exhibit 1: Global Operations



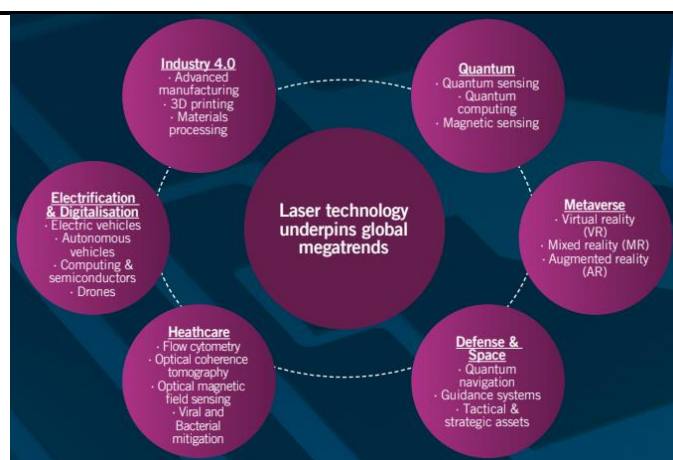
Source: Company Presentation

BLG also offers a complete epitaxial solution for the development and manufacturing of custom nitride templates and device wafers. This offering is through EpiBlu, a service arm and wholly owned subsidiary of the Company. Using EpiBlu’s research and development teams, EpiBlu offers fast prototyping at a cost-effective scale that allows customers to leverage engineers and designs to bring technology and innovation to the market. EpiBlu is being implemented strategically to customers who augment BluGlass product portfolio, such as Ganvix discussed later.

Market Overview

Lasers are a critical component for several macro trends that are on the cutting edge of technology. The market for lasers is expected to grow to an annualized size of \$25B by 2025 with uses for GaN lasers expected to account for 10% of this market. This is due to the inherent advantages found in GaN lasers as opposed to traditional infrared laser applications, such as superior brightness and higher absorption that contribute to improved precision and cleaner processing. Additionally, the visible and UV light interacts well with both organic materials and quantum materials.

Exhibit 2: Lasers End Markets



Source: Company Presentation

Of the \$735M addressable market that is expected to be serviced by GaN lasers, BLG expects to have products capable of addressing \$170M of this market by 2025. Of note, industrial applications which require lasers for welding, marking, and 3D printing is forecasted to be a \$400M segment. Scientific product applications, which included quantum computing/sensing and spectroscopy is expected to be an \$100M segment. Biotech which relies on lasers for flow cytometry, DNA sequencing, and photodynamic therapy, is also projected to be a \$60M addressable market.

Exhibit 3: Target Markets

Industrial Markets	Scientific Markets	Biotech/Life Science Markets	Display Markets (AR/VR)	Defense - R&D Markets
				
(405nm, 450nm, 525nm)	(405nm, 420nm, 450nm, 490, 525nm)	(405nm, 420nm, 450nm, 490, 525nm)	(450nm, 525nm)	(405nm, 420, 450nm, 488nm, 525nm)
US \$400M	US \$100M	US \$60M	US \$60M	US \$115M

Source: Company Presentation

Given the advantages of GaN Lasers, it is reasonable that the demand will continue to increase for these lasers. However, the supply of these lasers is expected to be challenged at a market wide level due to several factors that are expected to persist. Some of the most notable factors include the high barriers to entry, a lack of focus on GaN lasers from legacy suppliers, and limited flexibility in the market. This supply demand imbalance is expected to continue into the foreseeable future due to the high barriers of entry in the market.

Exhibit 4: Advantages of GaN Lasers

Visible light has higher absorption in key industrial metals	⚡	Key Metals	Improvement of energy absorption in metals
Cleaner, faster materials processing	⌚	Gold	66x
Tighter beam focus and improved efficiency	🎯	Silver	17x
Higher precision manufacturing, enabling increasingly advanced technology applications	🔧	Copper	13x
Visible and UV light interacts favorably with quantum and organic (viruses, bacteria, cancer cells) materials	⚡	Aluminium	3x
		Nickel	1.5x
		Steel	1.5x

Source: Company Presentation

Lastly, we note that the Australian government has committed AUD\$15.0B to a National Reconstruction Fund ("NRF"), which has similar aims as the Infrastructure Bill passed in the United States. While semiconductor technology was originally not earmarked as a priority for NRF, this has since changed, giving BLG another macro tailwind in its domestic market.

We note that BLG is well positioned to take advantage of the above-mentioned market dynamics. With a history of innovation and R&D spending, BluGlass is a provider of choice to serve the GaN laser market. As this market continues to evolve and grow, we expect BLG to continue expanding its product offerings to fully service this market.

Offerings

BluGlass is meeting the challenges of providing commercial laser products to a growing market that has few global competitors. Current offerings are focused on both off-the-shelf solutions as well as niche custom solutions. At a high level these offerings serve an often-ignored section of the market and are done in a way that offers significant variations of design, modality, and form to serve a number of unique needs.

To complement the hardware that the lasers are packaged in, BluGlass is also on the leading edge of laser technology. As discussed above, GaN lasers offer a significant advantage over traditional lasers, and by using the RPCVD manufacturing technology BluGlass is able to continuously challenge competition in the manufacturing of GaN lasers. This allows BLG to offer a portfolio of lasers spanning several wavelengths, launched in 2023. This initial cohort of wavelengths included violet at 405nm and 420nm as well as blue at 450nm. BLG shows a rapidly progressing improvement curve with devices already rivaling comparable companies' performance. When this is paired with the RPCVD technology, the Company shows the potential to overtake peers with higher performing and brighter lasers.

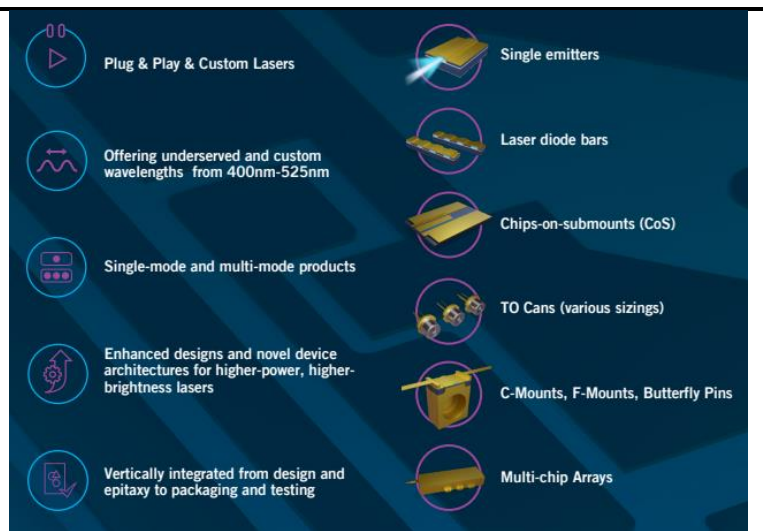
Technology Updates

BluGlass' current portfolio covers violet at wavelengths of 397nm, 405nm, and 420nm as well as blue at a wavelength of 450nm. In 2023 the company made significant improvements for power conversion efficiency with 450nm wavelengths improving 55% and 42% in single-mode and multi-mode respectively. This advancement broadens applicable uses to 3D printing, quantum computing, and biotech.

In addition to the efficiency improvements, the Company is also working with Ganvix to develop green GaN lasers in a wavelength of 515nm to 525nm. This is a very impressive technological step as there are currently no green GaN Vertical Cavity Surface-Emitting Lasers (VCSELs) on the market. As part of the agreement BLG brings its RPCVD technology to the table. This technology allows for critical performance advantages for green wavelengths that enable higher power and more efficient power usage.

BLG is also partnered with University of Santa Barbara California to bring visible Distributed Feedback (DFB) Lasers to commercial viability. These lasers provide a narrow width with high purity lending to very complex applications, like quantum computing, that require a high degree of precision. Most recently BLG has increased the side-mode suppression ration by more than 50%.

Exhibit 5: Overview of BluGlass Hardware



Source: Company Presentation

Exhibit 6: BluGlass Laser Portfolio

	Available for Purchase		Higher-Value Products In Development			Next-gen (premium value/margin) Products In Development
Violet	397nm	SM - 200mW*				
	405nm	MM - 1W	MM - 3W*			
		SM - 250mW		SM - 300-400mW		SM - 500mW
	420nm	MM - 1W	MM - 3W*			
Blue	450nm	SM - 250mW		SM - 300-400mW		SM - 500mW
		MM - 1W		MM - 1.6W	MM - 2.2W	MM - 3.5W
	470nm	SM - 100mW		SM - 250mW		MM - 5W
				MM - 2W		
Green	488nm			SM - 100-200mW		MM - 1.5-2W
	525nm			MM - 0.5 - 2W		
				SM - 80-100mW		

MM: Multi Mode SM: Single Mode *: Prototype

Source: Company Presentation

Most recently BLG has won membership into the CLAWS Hub led by North Carolina State University (NCSU). This is one of eight Microelectronic (ME) Commons innovation hubs announced by the US Department of Defense, which is further discussed in detail below. This Hub has six other members, all working towards the goal of creating innovative optoelectronic solutions. The photon technology that is expected to come out of the hub will be applicable to quantum computing, communications, AI, biotechnical, material processing, and defense end markets. This makes the work done in contribution to the Hub using BLG's RPCVD technology strategically aligned with BluGlass' commercial goals. The CLAWS Hub is funded with \$39.4M for FY23.

Manufacturing and Distribution

As discussed in the Market Overview, there are numerous challenges to the global supply of GaN lasers. Critical to this supply challenge is the lack of providers focused on delivering these lasers to market. BLG has taken significant steps to increase its supply capabilities at scale while retaining its innovative edge as well as the high-quality standards of its products through vertically integrating its manufacturing process.

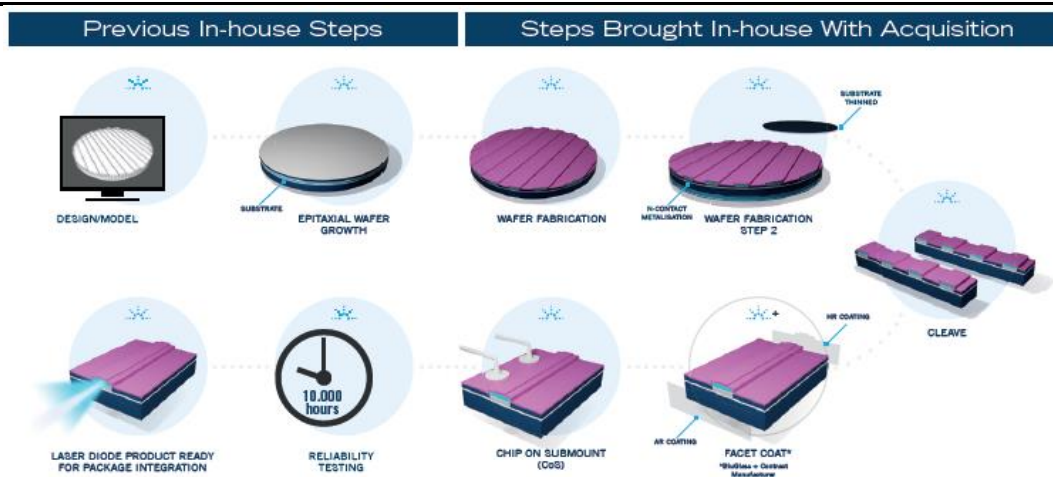
Exhibit 4: Challenges to GaN Laser Supply



Source: Company Presentation

In 2022 the Company acquired a purpose-build commercial Silicon Valley laser diode production facility. This acquisition quadrupled the wafer capacity and development turns to help meet customer demand. This vertical integration both increased quality control as well as decreased costs associated with manufacturing thus increasing margins. This purchase was made with \$2.5M, financed in part with a \$3.4M private placement. This is considered a value when compared to the estimated \$40.0M it would cost to build a new facility. This facility complements the facilities located in New Hampshire and New South Wales.

Exhibit 4: Manufacturing Process



Source: Company Presentation

BLG continues to distribute directly to OEMs, with customer acquisition initiatives continuing to take hold. BLG will also work with distributors at a regional level in key jurisdictions which include Europe, North America, and Southeast Asia. The Company supplies lower volume higher mix products to these markets. Additionally, BLG will supply development projects to defense and R&D organizations directly.

By leveraging partnerships with Ganvix to develop Vertical Cavity Surface-Emitting Lasers (VCSELs) using BLG’s RPCVD technology as well as the partnership with the University of Santa Barbara California to develop Distributed Feedback Lasers (DFB), the Company is increasing the number of end users served.

As discussed above, BLG’s most recent partnership with the CLAWS Hub lead by NCSU strategically aligns the Company with peers to innovate in the optoelectronic segment. This partnership is made possible by the creation of the Microelectronics (ME) Commons by the US Department of Defense (DOD). As part of the CHIPS Act the US DoD was allocated \$2.0B dollars to establish the ME Commons program. This program is awarding \$238.0M for FY23 and FY24 among the 8 established regional hubs. Overall, there are 460 members in the program, with the CLAWS Hub that BLG is a member of having 7 members’ total.

Exhibit 4: CLAWS Hub Lead and Members



Source: Company Presentation

The customer acquisition lifecycle can range from very quick onboarding processes to taking a year or more to complete in the case of very rare and custom projects. For typical engagements, outside of standard projects in standard packages, customers require time to qualify BLG technology for use after the initial discussions. Once the technology is qualified industry standard manufacturing time is 8-12 weeks. This timeframe is extended for niche projects that require advanced or high-powered products due to the length of initial design and qualifications. These longer dated projects can include multiple phases that typically generate revenues throughout the process. Once this process is completed the Company works to turn initial orders into long-term recurring orders.

Risks

As with any investment, there are certain risks associated with BluGlass' operations as well as with the surrounding economic and regulatory environments common to the laser diode industry.

Product Development and Launch – The Company currently operates in a cutting-edge industry. While BLG has a portfolio of lasers, the majority of orders are in the qualification phase. Should the industry change direction, or if the orders do not pass the qualification phase, then product development and launches may need to be repurposed at a significant cost to the Company.

Liquidity Risk – As a rapidly growing company, BluGlass regularly reviews its liquidity position in order to ensure sufficient cash flow to support expanding operations and plan for any necessary capital outlays.

Foreign Exchange Risk – The Company accounts in Australian dollars. Some of the Company's commitments and expenditures are denominated in U.S. dollars making the Company subject to currency fluctuations. This exposes BluGlass to potential currency fluctuation risk due to translation effects; however, management reviews the exposure on a frequent basis.

Intellectual Property Laws – BluGlass currently has a significant number of patents and pending applications for intellectual property that the Company has developed. BluGlass is constantly on guard and ready to defend its intellectual property using litigation if necessary. Should judgements go against the Company this could materially weaken its edge among peers. Additionally, having to pursue litigation as mediation for any infringement could be costly for the Company, regardless of the outcome.

Research and Development Rebates – BluGlass derives a material amount of financing from research and development rebates. Any future changes in the laws, regulations, and agreements that surround these rebates could negatively impact the Company's cash flows.

Earnings and Cash Flows – The Company has no history of net income, dividends, or cash flow and there can be no assurance that the Company will be profitable going forward. In the case that the Company cannot create enough revenue to sustain on-going business activities, BLG's only source of financing will be through the sale of existing securities, high-cost borrowing, or sale of its assets.

VALUATION SUMMARY

We are using a DCF and a comparison analysis to help frame valuation.

DCF

Our DCF analysis relies on a range of discount rates between 9.75% and 10.25% with a midpoint of 10.00%. This arrives at a valuation range of \$0.19 to \$0.24 with a mid-point of \$0.21.

Sensitivity Analysis:

Discount rate	Terminal Growth Rates				
	0%	1%	2%	3%	4%
9.50%	\$0.20	\$0.21	\$0.23	\$0.25	\$0.29
9.75%	\$0.19	\$0.20	\$0.22	\$0.24	\$0.27
10.00%	\$0.18	\$0.19	\$0.21	\$0.23	\$0.26
10.25%	\$0.18	\$0.19	\$0.20	\$0.22	\$0.24
10.50%	\$0.17	\$0.18	\$0.19	\$0.21	\$0.23

Comparison Analysis

We believe, given the Companies updated manufacturing capabilities we can start to use a comp analysis as the comp integrates with the semiconductor industry. We use both an EV/Revenue comparison and a EV/EBITDA comparison to frame this valuation. Due to the advanced level of BLG's technology we had few public comps to choose from, however, this same technological advantage of GaN lasers vs. LEDs makes us comfortable valuing BLG at a premium to the available comps.

Company Name	Symbol	Price ⁽¹⁾	Mrkt Cap	EV	BV/Share	2022	EV/Revenue ^(2,3)			EV/EBITDA ^(2,3)			
							2023E	2024E	2025E	2022	2023E	2024E	2025E
ACM Research, Inc.	ACMR	\$ 17.00	\$ 1,030.3	\$ 962.4	\$ 12.03	0.64x	1.81x	1.44x	1.14x	3.8x	9.1x	8.3x	6.2x
AIXTRON SE	AIXA	\$ 41.96	\$ 4,715.1	\$ 4,493.4	\$ 6.71	5.81x	6.65x	5.94x	5.38x	24.4x	23.9x	20.2x	17.2x
Ellipsiz Ltd	BIX	\$ 0.17	\$ 28.4	\$ (2.6)	\$ 0.48	-0.18x	N/A	N/A	N/A	-29.3x	N/A	N/A	N/A
EEMS Italia SpA	EEMS	\$ 0.00	\$ 1.9	\$ 1.0	\$ 0.00	17.84x	N/A	N/A	N/A	-10.7x	N/A	N/A	N/A
MKS Instruments, Inc.	MKSI	\$ 86.48	\$ 5,783.7	\$ 10,033.7	\$ 37.01	2.82x	2.81x	2.73x	2.42x	11.4x	12.5x	11.7x	9.5x
Average						\$ 11.25	5.4x	3.8x	3.4x	3.0x	-0.1x	15.2x	13.4x
Median						\$ 6.71	2.8x	2.8x	2.7x	2.4x	3.8x	12.5x	11.7x
BluGlass Limited	BLG	\$ 0.04	\$ 55.8	\$ 55.9	\$ 0.01	12.7x	6.9x	4.2x	3.0x	-5.1x	-29.5x	15.6x	7.3x

(1) Previous day's closing price

(2) Estimates are from Capital IQ

(3) Forward estimates as of calendar year

(4) All Values in USD at an exchange rate of \$1.52 AUD/USD

Source: Company reports, CapitalIQ, Stonegate Capital Partners

When using an EV/Revenue framework to inform our BLG valuation, we note that BLG is currently trading at a FY25 EV/Revenue of 3.1x compared to comps at an average of 2.8x. We are using our FY25 expected Revenue, and an EV/Revenue range of 4.0x to 5.0x with a midpoint of 4.5x. This arrives at a valuation range of A\$0.09 to A\$0.11 with a mid-point of A\$0.10.

When using an EV/EBITDA framework to inform our BLG valuation, we note that BLG is currently trading at a FY25 EV/EBITDA of 7.6x compared to comps at an average of 10.6x. We are using our FY25 expected EBITDA, and an EV/EBITDA range of 13.0x to 15.0x with a midpoint of 14.0x. This arrives at a valuation range of A\$0.11 to A\$0.13 with a mid-point of A\$0.12.

Conclusion

To arrive at a final valuation, we give a weighting to each of the above valuation ranges. Given the lack of public comparable companies we apply a 60% weighting to our DCF analysis and a 20% weighting to our EV/EBITDA and EV/Revenue ranges. This arrives at a valuation range of A\$0.15 to A\$0.19 with a mid-point of A\$0.17. At an exchange rate of A\$1.52AUD/USD, this is equal to a range of \$0.10 to \$0.13 with a mid-point of \$0.11. Lastly, we note that BLG is trading significantly below a BV/Share of \$1.00, representing a strong case that BLG is undervalued at its current price.

EV/Revenue			
CY25 E	4.00x	4.50x	5.00x
Revenue	A\$ 28.3	A\$ 28.3	A\$ 28.3
TEV	113.3	127.5	141.7
Cash	4.3	4.3	4.3
Debt	-	-	-
Mrkt Cap	117.6	131.8	145.9
S/O	1,366.6	1,366.6	1,366.6
AUD Price	A\$ 0.09	A\$ 0.10	A\$ 0.11
USD Price	\$ 0.06	\$ 0.06	\$ 0.07

EV/EBITDA			
CY25 E	13.00x	14.00x	15.00x
Adj EBITDA	A\$ 11.6	A\$ 11.6	A\$ 11.6
TEV	151.4	163.0	174.6
Cash	4.3	4.3	4.3
Debt	-	-	-
Mrkt Cap	155.6	167.3	178.9
S/O	1,366.6	1,366.6	1,366.6
AUD Price	A\$ 0.11	A\$ 0.12	A\$ 0.13
USD Price	\$ 0.07	\$ 0.08	\$ 0.09

DISCOUNTED CASH FLOW

BluGlass Limited														
Discounted Cash Flow Model														
(in \$M, except per share)														
Estimates:	2022	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	Terminal Value
Revenue	4.3	9.5	15.7	24.9	32.8	42.6	57.5	71.9	86.2	99.2	109.1	120.0	132.0	
Operating Income	(9.4)	(11.8)	(2.9)	3.2	6.1	-	8.6	14.4	21.6	24.8	27.3	30.0	33.0	
Less: Taxes (benefit)	-	-	-	-	-	-	-	-	2.2	3.7	4.1	4.5	4.9	
NOPAT	(9.4)	(11.8)	(2.9)	3.2	6.1	-	8.6	14.4	19.4	21.1	23.2	25.5	28.0	
Plus: Depreciation & Amortization	2.3	3.9	4.2	5.5	7.0	7.0	7.0	8.0	8.0	15.0	15.0	15.0	15.0	
Plus: Changes in WC	(2.6)	(3.0)	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)	(0.7)	
Less: Capex	(4.3)	(0.6)	(0.5)	(0.7)	(0.9)	(1.1)	(1.3)	(5.7)	(1.9)	(9.9)	(2.3)	(2.5)	(2.8)	
Free Cash Flow	(13.9)	(11.5)	0.7	7.9	12.0	5.7	14.0	16.3	25.0	25.7	35.3	37.4	39.6	505.1
Discount period - months			12	24	36	48	60	72	84	96	108	120	132	
Discount period - years			1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	10.0	11.0	
Discount factor			0.91	0.83	0.75	0.68	0.62	0.56	0.51	0.47	0.42	0.39	0.35	
PV of FCF			0.6	6.5	9.1	3.9	8.7	9.2	12.8	12.0	15.0	14.4	13.9	177.0
Growth rate assumptions:														
Revenue		123.1%	65.4%	58.3%	31.4%	30.0%	35.0%	25.0%	20.0%	15.0%	10.0%	10.0%	10.0%	
Operating Income		25.6%	-74.9%	N/A	90.8%	-100.0%	N/A	66.7%	50.0%	15.0%	10.0%	10.0%	10.0%	
EBITDA		11.6%	-116.0%	591.9%	50.5%	-46.4%	123.2%	43.2%	32.1%	34.6%	6.2%	6.5%	6.7%	
Free Cash Flow		-17.5%	-106.1%	N/A	53.1%	-52.5%	144.9%	16.1%	53.9%	2.5%	37.7%	5.8%	6.0%	
Margin assumptions:														
Operating Income	-219.3%	-123.4%	-18.7%	12.7%	-20.0%	0.0%	15.0%	20.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
D&A as a % of sales	54.7%	41.2%	26.7%	22.1%	3.2%	2.9%	2.7%	2.5%	2.3%	2.1%	2.1%	2.1%	2.1%	
EBITDA	-164.5%	-82.3%	8.0%	34.8%	39.9%	16.4%	27.2%	31.1%	34.3%	40.1%	38.8%	37.5%	36.4%	
Taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	10.0%	15.0%	15.0%	15.0%	15.0%	
Changes in WC	-61.1%	-31.9%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	
Capex as a % of sales	-100.2%	-6.3%	-3.0%	-2.8%	-2.6%	-2.5%	-2.3%	-8.0%	-2.3%	-10.0%	-2.1%	-2.1%	-2.1%	
Valuation:														
Shares outstanding	1,366.6													
PV of FCF	106.1													
PV of Terminal Value	177.0													
Enterprise Value	283.1													
less: Net Debt	(4.3)													
Estimated Total Value:	287.4													
Est Equity Value/share:	\$0.21													
Sensitivity Analysis:														
Discount rate	Terminal Growth Rates													
		0%	1%	2%	3%	4%								
	9.50%	\$0.20	\$0.21	\$0.23	\$0.25	\$0.29								
	9.75%	\$0.19	\$0.20	\$0.22	\$0.24	\$0.27								
	10.00%	\$0.18	\$0.19	\$0.21	\$0.23	\$0.26								
	10.25%	\$0.18	\$0.19	\$0.20	\$0.22	\$0.24								
10.50%	\$0.17	\$0.18	\$0.19	\$0.21	\$0.23									
Price														
\$0.06														

Source: Company Reports; Stonegate Capital Markets

BALANCE SHEET

BluGlass Limited

Consolidated Balance Sheets (AUD \$M)

Fiscal Year End: June

ASSETS	Q2 Dec-18	Q4 Jun-19	FY 2019	Q2 Dec-19	Q4 Jun-20	FY 2020	Q2 Dec-20	Q4 Jun-21	FY 2021	Q2 Dec-21	Q4 Jun-22	FY 2022	Q2 Dec-22	Q4 Jun-23	FY 2023
Cash and Cash Equivalents	11.7	6.1	6.1	3.6	5.4	5.4	4.3	4.2	4.2	6.2	5.4	5.4	3.0	4.3	4.3
Trade and Other Receivables	1.3	2.3	2.3	1.3	2.9	2.9	1.7	3.4	3.4	1.7	3.4	3.4	3.2	7.6	7.6
Inventories	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.6	0.6
Other Current Assets	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.0	0.0	0.2	0.1	0.1
Total Current Assets	13.2	8.6	8.6	5.2	8.5	8.5	6.2	7.7	7.7	8.2	8.9	8.9	6.8	12.5	12.5
Property, Plant, and Equipment	2.5	5.4	5.4	7.8	7.9	7.9	6.9	5.8	5.8	5.5	11.3	11.3	10.4	8.7	8.7
Intangible Assets	8.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Deposit	-	-	-	-	-	-	-	-	-	-	0.3	0.3	0.4	0.5	0.5
Total Assets	24.4	14.0	14.0	13.0	16.4	16.4	13.1	13.6	13.6	13.7	20.5	20.5	17.6	21.7	21.7
LIABILITIES AND SHAREHOLDERS' EQUITY															
Trade and Other Payables	0.8	0.5	0.5	0.4	0.4	0.4	0.4	0.6	0.6	0.4	0.5	0.5	0.7	1.2	1.2
Lease Liabilities	-	-	-	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.7	0.7	1.0	0.8	0.8
Short Term Provisions	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.6	0.6
Borrowings	-	-	-	-	-	-	-	2.0	2.0	-	-	-	-	-	-
Total Current Liabilities	1.2	1.0	1.0	1.1	1.2	1.2	1.2	3.4	3.4	1.2	1.9	1.9	2.4	2.5	2.5
Long Term Liabilities	0.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.6	1.6	1.6
Lease Liabilities	-	-	-	1.6	1.6	1.6	1.5	1.4	1.4	1.5	3.9	3.9	3.8	3.7	3.7
Total Liabilities	0.3	1.3	1.3	3.0	2.9	2.9	2.8	2.7	2.7	2.8	5.3	5.3	5.4	5.3	5.3
Issued Capital	67.4	67.4	67.4	67.6	73.1	73.1	73.3	75.2	75.2	81.5	89.3	89.3	91.1	101.9	101.9
Reserves	(0.6)	(0.2)	(0.2)	0.2	0.9	0.9	0.9	(0.0)	(0.0)	(0.4)	0.1	0.1	0.2	(0.1)	(0.1)
Accumulates Losses	(43.8)	(55.6)	(55.6)	(58.7)	(61.6)	(61.6)	(65.1)	(67.7)	(67.7)	(71.4)	(76.2)	(76.2)	(81.5)	(87.9)	(87.9)
Total Net Equity	22.9	11.6	11.6	9.0	12.4	12.4	9.2	7.5	7.5	9.6	13.2	13.2	9.8	13.9	13.9
Total Liabilities and Shareholders' Equity	24.4	14.0	14.0	13.0	16.4	16.4	13.1	13.6	13.6	13.7	20.5	20.5	17.6	21.7	21.7
Liquidity															
Current Ratio	11.1x	8.5x	8.5x	4.8x	7.4x	7.4x	5.4x	2.3x	2.3x	6.6x	4.6x	4.6x	2.8x	4.9x	4.9x
Quick Ratio	11.0x	8.4x	8.4x	4.7x	7.3x	7.3x	5.3x	2.2x	2.2x	6.5x	4.6x	4.6x	2.7x	4.7x	4.7x
Working Capital (M)	\$ 12.1	\$ 7.6	\$ 7.6	\$ 4.1	\$ 7.4	\$ 7.4	\$ 5.1	\$ 4.3	\$ 4.3	\$ 6.9	\$ 6.9	\$ 6.9	\$ 4.4	\$ 10.0	\$ 10.0

Source: Company Reports, Stonegate Capital Partners

INCOME STATEMENT

BluGlass Limited Consolidated Statements of Income (in AUD \$M, except per share amounts) Fiscal Year End: June																			
	FY 2018	FY 2019	FY 2020	FY 2021	Q2 Dec-21	Q4 Jun-22	FY 2022	Q2 Dec-22	Q4 Jun-23	FY 2023	Q2 E Dec-23	Q4 E Jun-24	FY 2024E	Q2 E Dec-24	Q4 E Jun-25	FY 2025E	Q2 E Dec-25	Q4 E Jun-26	FY 2026E
Revenue	\$ 0.7	\$ 0.4	\$ 0.7	\$ 0.4	\$ 0.1	\$ 0.5	\$ 0.6	\$ 0.5	\$ 0.6	\$ 1.1	\$ 1.3	\$ 1.9	\$ 3.2	\$ 4.4	\$ 4.8	\$ 9.2	\$ 7.1	\$ 8.4	\$ 15.5
Other Income	\$ 1.9	\$ 2.1	\$ 3.1	\$ 4.0	\$ 1.9	\$ 1.8	\$ 3.7	\$ 4.0	\$ 4.4	\$ 8.4	\$ 6.0	\$ 6.6	\$ 12.6	\$ 7.4	\$ 8.2	\$ 15.7	\$ 8.2	\$ 9.1	\$ 17.3
Finance Income	\$ 0.2	\$ 0.2	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Total Revenues	2.8	2.7	3.8	4.4	2.0	2.3	4.3	4.5	5.0	9.5	7.2	8.5	15.7	11.9	13.0	24.9	15.3	17.5	32.8
Employee benefits expense	2.9	3.0	3.0	3.6	1.8	2.2	4.0	2.9	3.4	6.3	3.5	3.5	7.0	3.7	4.0	7.7	4.5	5.8	10.3
Professional fees	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.2	0.3	0.3	0.3	0.6	0.5	0.8	1.3
Board and secretarial fees	0.3	0.4	0.3	0.3	0.3	0.2	0.5	0.3	0.3	0.6	0.3	0.3	0.5	0.3	0.3	0.6	0.3	0.3	0.6
Corporate compliance & legal expense	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.1	0.1	0.2
Consultant fees	0.4	0.5	0.6	0.4	0.1	0.1	0.2	0.0	0.3	0.3	0.1	0.3	0.4	0.1	0.3	0.4	0.1	0.3	0.4
Finance cost	-	-	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.3	0.3	0.6	0.4	0.4	0.8
Office utilities	-	-	-	-	-	0.3	0.3	-	1.3	1.3	-	0.5	0.5	-	0.5	0.5	-	0.5	0.5
Rent expense	0.3	0.3	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subscriptions	-	-	-	-	-	0.1	0.1	-	3.2	3.2	-	1.0	1.0	-	1.0	1.0	-	1.0	1.0
Travel and accommodation expenses	0.2	0.2	0.1	0.0	0.0	0.1	0.1	0.1	0.2	0.3	0.2	0.2	0.3	0.2	0.2	0.3	0.2	0.2	0.3
Consumables	1.2	1.7	1.9	3.1	2.0	1.6	3.6	3.1	(0.6)	2.5	1.2	1.4	2.6	1.5	1.4	2.9	1.5	1.4	2.9
Depreciation and amortisation	0.2	0.2	1.1	2.1	1.1	1.2	2.3	1.8	2.1	3.9	2.0	2.2	4.2	2.5	3.0	5.5	3.5	3.5	7.0
Share based payment expenses	0.1	0.7	1.2	(0.5)	0.6	0.2	0.8	0.0	0.2	0.2	-	-	-	-	-	-	-	-	-
Other expenses	0.9	9.8	1.1	1.2	0.6	0.5	1.1	1.2	0.6	1.8	0.8	0.8	1.5	0.8	0.8	1.5	0.8	0.8	1.5
Total Operating Expenses	6.7	17.2	9.8	10.7	6.6	7.0	13.6	9.8	11.4	21.3	8.3	10.4	18.7	9.7	12.1	21.8	11.8	14.9	26.7
Operating Income	(3.8)	(14.4)	(6.0)	(6.3)	(4.6)	(4.7)	(9.4)	(5.4)	(6.4)	(11.8)	(1.1)	(1.9)	(2.9)	2.2	0.9	3.2	3.5	2.6	6.1
Provision for Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(3.8)	(14.4)	(6.0)	(6.3)	(4.6)	(4.7)	(9.4)	(5.4)	(6.4)	(11.8)	(1.1)	(1.9)	(2.9)	2.2	0.9	3.2	3.5	2.6	6.1
Basic EPS (Cents per share)	(0.99)	(3.45)	(1.27)	(0.87)	(0.47)	(0.45)	(0.89)	(0.42)	(0.47)	(0.86)	(0.08)	(0.13)	(0.21)	0.16	0.07	0.22	\$ 0.24	\$ 0.17	\$ 0.41
Diluted EPS (Cents per share)	(0.99)	(3.45)	(1.27)	(0.87)	(0.47)	(0.45)	(0.89)	(0.42)	(0.47)	(0.86)	(0.08)	(0.13)	(0.21)	0.16	0.07	0.22	\$ 0.24	\$ 0.17	\$ 0.41
WTD Shares Out - Basic	389.4	418.3	473.1	724.6	989.3	1,056.8	1,056.8	1,288.5	1,366.6	1,366.6	1,391.6	1,407.6	1,399.6	1,433.4	1,449.9	1,441.6	1,476.4	1,493.4	1,484.9
WTD Shares Out - Diluted	389.4	418.3	473.1	724.6	989.3	1,056.8	1,056.8	1,288.5	1,366.6	1,366.6	1,391.6	1,407.6	1,399.6	1,433.4	1,449.9	1,441.6	1,476.4	1,493.4	1,484.9
EBITDA	(3.6)	(14.2)	(4.9)	(4.2)	(3.5)	(3.5)	(7.0)	(3.6)	(4.2)	(7.8)	0.9	0.3	1.3	4.7	3.9	8.7	7.0	6.1	13.1
Adjusted EBITDA	\$ (3.6)	\$ (13.6)	\$ (3.6)	\$ (4.6)	\$ (2.9)	\$ (3.2)	\$ (6.1)	\$ (3.4)	\$ (3.9)	\$ (7.3)	\$ 1.0	\$ 0.4	\$ 1.5	\$ 5.0	\$ 4.2	\$ 9.3	\$ 7.4	\$ 6.5	\$ 13.9

Margin Analysis																			
Operating Margin	-136.6%	-524.9%	-156.8%	-144.4%	-229.4%	-210.2%	-219.3%	-119.8%	-126.7%	-123.4%	-14.9%	-21.9%	-18.7%	18.8%	7.3%	12.7%	22.9%	14.7%	18.5%
EBITDA Margin	-127.8%	-493.9%	-93.8%	-105.9%	-142.4%	-141.7%	-142.0%	-76.7%	-77.5%	-77.1%	14.2%	5.1%	9.2%	42.3%	32.6%	37.2%	48.4%	37.0%	42.3%
Pre-Tax Margin	-136.6%	-524.9%	-156.8%	-144.4%	-229.4%	-210.2%	-219.3%	-119.8%	-126.7%	-123.4%	-14.9%	-21.9%	-18.7%	18.8%	7.3%	12.7%	22.9%	14.7%	18.5%
Net Income Margin	-136.6%	-524.9%	-156.8%	-144.4%	-229.4%	-210.2%	-219.3%	-119.8%	-126.7%	-123.4%	-14.9%	-21.9%	-18.7%	18.8%	7.3%	12.7%	22.9%	14.7%	18.5%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth Rate Y/Y																			
Total Revenue	0.3%	-2.3%	39.1%	14.1%	-9.3%	5.2%	-2.2%	122.3%	123.9%	123.1%	61.3%	69.0%	65.4%	64.5%	53.1%	58.3%	28.7%	33.9%	31.4%
Total cost of revenues	2.9%	158.2%	-42.8%	8.6%	12.3%	47.0%	27.8%	48.3%	63.6%	56.2%	-15.7%	-9.1%	-12.1%	16.3%	16.5%	16.4%	22.2%	23.1%	22.7%
Operating Income	4.9%	275.6%	-58.4%	5.1%	25.3%	81.2%	48.5%	16.1%	34.9%	25.6%	-79.9%	-70.8%	-74.9%	-306.9%	-150.8%	-207.9%	56.8%	170.9%	90.8%
Pre-Tax Income	4.9%	275.6%	-58.4%	5.1%	25.3%	81.2%	48.5%	16.1%	34.9%	25.6%	-79.9%	-70.8%	-74.9%	-306.9%	-150.8%	-207.9%	56.8%	170.9%	90.8%
Net Income	4.9%	275.6%	-58.4%	5.1%	25.3%	81.2%	48.5%	16.1%	34.9%	25.6%	-79.9%	-70.8%	-74.9%	-306.9%	-150.8%	-207.9%	56.8%	170.9%	90.8%

Source: Company Reports, Stonegate Capital Partners estimates

STATEMENT OF CASH FLOWS

BluGlass Limited Consolidated Cash Flow Statements (AUD \$M) Fiscal Year End: June												
CASH FLOW	Q2 Dec-19	Q4 Jun-20	FY 2020	Q2 Dec-20	Q4 Jun-21	FY 2021	Q2 Dec-21	Q4 Jun-22	FY 2022	Q2 Dec-22	Q4 Jun-23	FY 2023
Operating Activities												
Receipts from customers	0.5	0.2	0.7	0.2	0.1	0.4	0.1	0.5	0.6	0.6	0.5	1.1
Research and development tax rebate	1.3	1.1	2.4	1.5	1.2	2.7	3.3	-	3.3	4.0	-	4.0
Interest received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest paid on lease liabilities	-	(0.1)	(0.1)	-	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)
Government grants	-	0.2	0.2	0.5	0.1	0.7	0.3	-	0.3	0.0	-	0.0
Payables to suppliers and employees	(3.1)	(4.4)	(7.5)	(3.1)	(5.3)	(8.5)	(5.3)	(5.0)	(10.4)	(8.1)	(8.7)	(16.9)
Cash flow generated/(absorbed) from operating Activities	(1.3)	(3.0)	(4.3)	(0.9)	(3.9)	(4.8)	(1.6)	(4.6)	(6.2)	(3.5)	(8.3)	(11.9)
Investing Activities												
Payments for security deposits	-	-	-	-	-	-	-	-	-	(0.1)	(0.0)	(0.1)
Purchase of property, plant, and equipment	(1.1)	(0.6)	(1.7)	(0.1)	(0.0)	(0.1)	(0.4)	(3.9)	(4.3)	(0.4)	(0.2)	(0.6)
Cash flow generated by Investing Activities	(1.1)	(0.6)	(1.7)	(0.1)	(0.0)	(0.1)	(0.4)	(3.9)	(4.3)	(0.5)	(0.2)	(0.7)
Financing Activities												
Proceeds from issue of shares, net of cost	-	5.5	5.5	-	1.9	1.9	6.5	7.4	13.9	1.9	10.1	12.0
Transaction cost on issue of shares	-	-	-	(0.0)	0.0	-	(0.3)	0.3	-	(0.0)	0.0	-
Lease liability	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(0.3)	(0.2)	(0.3)	(0.5)
Interest Paid	(0.0)	0.0	(0.0)	(0.0)	0.0	-	(0.0)	-	(0.0)	-	(0.0)	(0.0)
Proceeds from options exercised	0.0	-	0.0	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	2.0	2.0	(2.0)	-	(2.0)	-	-	-
Cash flow generated/(absorbed) by financing Activities	(0.1)	5.5	5.3	(0.1)	3.8	3.6	4.1	7.5	11.6	1.7	9.7	11.4
Net Cash flow in the year	(2.5)	1.8	(0.7)	(1.1)	(0.1)	(1.3)	2.1	(0.9)	1.1	(2.3)	1.2	(1.1)
Cash and Cash Equivalents												
Beginning Cash balance	6.1	3.6	6.1	5.4	4.3	5.4	4.2	6.2	4.2	5.4	3.0	5.4
Ending Cash balance	3.6	5.4	5.4	4.3	4.2	4.2	6.2	5.3	5.3	3.0	4.3	4.3

Source: Company Reports, Stonegate Capital Partners

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For Additional Information Contact:

Stonegate Capital Markets, Inc.
 Dave Storms, CFA
 Dave@stonegateinc.com
 214-987-4121

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