



RESEARCH UPDATE

Dave Storms, CFA

Dave@stonegateinc.com

214-987-4121

Market Statistics in AUD

Price	\$ 1.60
52 week Range	\$0.42 - \$1.74
Daily Vol (3-mo. average)	444,140
Market Cap (M):	\$ 235.0
Enterprise Value (M):	\$ 252.7
Shares Outstanding: (M)	146.9
Float (M)	98.5
Public Ownership	65.6%
Institutional Ownership	1.5%

Financial Summary in AUD

Cash (M)	\$ 71.0
Cash/Share	\$ 0.48
Debt (M)	\$ 88.7
Equity (M)	\$ 199.1
Equity/Share	\$ 1.36

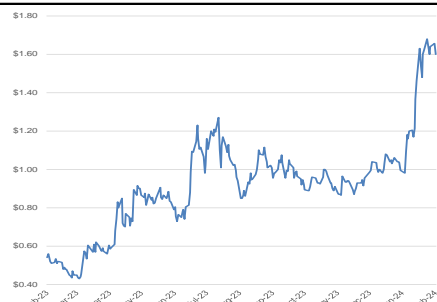
FYE: Dec 2023 2024E 2025E

(in AUD\$ M)

Rev	\$ 222.7	\$ 252.9	\$ 271.4
Chng%	46%	14%	7%

EBITDA	\$ 5.7	\$ 19.2	\$ 25.9
Net Income	\$ (34.1)	\$ (22.6)	\$ 6.6
EPS	\$ (0.23)	\$ (0.14)	\$ 0.04

EV/Revenue	1.1x	1.0x	0.9x
EV/EBITDA	43.0x	13.2x	9.8x
P/E	-7.1x	-11.1x	36.8x



COMPANY DESCRIPTION

Electro Optic Systems Holdings Limited is a global aerospace & defense and communications company with operations in Australia, United States, Middle East, Asia, and Europe. EOS develops, manufactures, and sells remote weapons systems, counter-drone weapons systems, naval satellite communication systems and space domain awareness services. The Company operates across three segments: Defense Systems, EM Solutions, and Space Systems. EOS is currently headquartered in Canberra, Australia with regional offices in the United States, the United Arab Emirates, Singapore, the Netherlands, and Germany.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED (ASX: EOS)

COMPANY UPDATES

Continued Diversification: EOS continues to diversify its product offerings as well as the geographies that it services. We note the strong demand for counter drone products is driven by the current market conditions. As the Company continues to grow its RWS offerings we expect the same market conditions to drive demand. Going forward EOS has noted that it will be launching new terminals as well as High Energy Laser Weapons (HELW). This diversification in product offerings gives us confidence that the growth will continue. We also note the expansion into the European market. This is most evident by the opening of the Company's European Entity which will provide a physical presence on the continent to better serve customers.

Focus on Debt: The Company has made clear that it is focused on repaying its debt. Most recently EOS repaid A\$26.9m of outstanding debt in accordance with debt agreements, before the due date. We view this as another sign of the Company's commitment to improving its balance sheet and overall debt position. The next repayment is expected for April of 2024.

Turnaround Program: Management has implemented a disciplined multiphase restructuring plan to turn EOS around. Phase 2 is underway and is focused on collecting cash from existing customers and securing new orders. The turnaround is the Company's new approach of giving honest expectations and clearly displaying their goals to repair its credibility and drive growth. Full year 2023 receipts from customers were A\$325.4m, an increase from A\$145.9m in 2022. This was highlighted by A\$105.4m in receipts during Q4.

Accelerated Market Growth: Global defense spending is at an all-time high, eclipsing USD\$2 trillion for the first time with this trend is expected to continue in 2024 and 2025. The war in Ukraine, conflicts in the Middle East, and growing tensions in Asia have motivated countries to bolster their militaries. Ukraine's military spending was USD\$44 billion in 2022, increasing 640% over 2021. This presents EOS with an abundance of defense contract opportunities it plans to capitalize on.

Strong Backlog: As of 2H23, the Company has a strong order backlog totaling A\$622m which includes the conditional A\$181m contract to supply Ukraine. The backlog makes up customer contracts primarily in the Defense and EM Solutions segments and work is expected to be done in 2024 and 2025. This backlog is almost double the A\$312m seen in 2H22. Additionally, EOS ended the half with contract assets totaling A\$68.0m.

Top Line Growth: The Company saw year-over-year revenue growth of 72.3% up from A\$84.1m in 2H22 to A\$145.0m in 2H23. This outpaced our estimate of A\$140.5m by 3.2%. The increase was driven by growth in both the defense segment and space segment of 47% and 100% respectively. We believe that, given the strong backlog and continued expansion of product offering with new products like the "Slinger", R800, and HELW line, the Company will continue to grow revenue at a strong rate in the short term.

Valuation: We use both a DCF Analysis and Comparable Analysis to inform our valuation of EOS. Our DCF analysis arrives at a valuation range of A\$1.74 to A\$1.98 with a midpoint of A\$1.85. For the Comparable Analysis we arrive at a valuation range of A\$1.64 to A\$1.82 with a midpoint of A\$1.73.

Business Overview

Electro Optic Systems Holdings Limited (“EOS,” “the Group”, or “the Company”) is a global aerospace & defense and communications company with operations in Australia, United States, Middle East, Asia, and Europe. EOS develops, manufactures, and sells remote weapons systems, counter-drone weapons systems, naval satellite communication systems and space domain awareness services. The company is also developing further products, including high energy laser weapons. The Company operates across three segments: Defense Systems, EM Solutions, and Space Systems. EOS is currently headquartered in Canberra, Australia with regional offices in the United States, the United Arab Emirates, Singapore, the Netherlands, and Germany.

Company History

The Company was originally founded in 1983 from the privatization of Australia’s government space activity. In the late 1990’s and early 2000’s, EOS began expanding globally and now serves markets in Australia, the United States, Europe, the Middle East and Southeast Asia. To date, the Company’s flagship product (the RWS 400) is well established and has sold over 2,500 units over fifteen years, working with more than ten different nations. The Group has grown to become the largest defense exporter in the Southern Hemisphere, with exports accounting for ~90% of revenue. In 2000 the group was officially listed on the Australian Securities Exchange under the symbol “EOS.”

Exhibit 1: Operating Areas






Source: Company Presentation

Business Segments

Electro Optics operates in three core segments: Defense Systems, EM Solutions, and Space Systems. The Company’s revenues are significantly dependent on governments ramping up their defense budgets, which could lead to major defense and space contract wins for EOS. Over the last two decades, countries have been steadily increasing their defense budgets to bolster their military strength and national security. Countries like the U.S. have started to increase investments in their remote weapon systems and unmanned vehicles capabilities, two core areas of EOS’s Defense business. For instance, counter-drone technologies are increasingly in demand and recent conflicts have demonstrated that traditional kinetic weapons have advantages as a cost effective and

sustainable counter-drone measure. Additionally, space warfare is becoming more of a focal point as governments adjust their defense budgets, exemplified by the U.S. and China establishing their own independent space branches of their militaries. This could prove to be catalyst if other countries follow suit.

Exhibit 2: Business Segments

 Defence Systems	 EM Solutions	 Space Systems
<ul style="list-style-type: none"> Develops, manufactures and markets advanced technologies for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) and C4 EDGE² systems for approved customers globally Global pioneer in the development and supply of remote weapon systems ("RWS") Directed Energy system up to 36kW/54kW Fully integrated C-UAS Systems 	<ul style="list-style-type: none"> EM Solutions provides global satellite communications services and systems to primarily navy and maritime customers Cemented position as the world's premier global maritime satellite communications terminal manufacturer Adding new recurring revenue streams through logistics support contracts for the growing deployed terminal fleet 	<ul style="list-style-type: none"> Space Technologies applies EOS-developed optical sensors and laser technology to detect, track, classify and characterise objects in space and for Space Warfare applications EOS' satellite laser ranging (SLR) provides the highest accuracy data, unmatched by other ground-based sensor technologies, such as radar Active Space-Warfare applications (classified)

Source: Company Presentation

EOS Defense Systems

The EOS Defense Systems segment develops remote weapons systems ("RWS") and weapon systems for unmanned ground vehicles ("UGVs") as well as counter-drone applications. This segment accounts for AUD\$100-200 million of the Company's revenue. EOS is intent on capitalizing on future commercial growth by maximizing prospects provided by third part development funding and making commercialization a core focus in the immediate future.

RWS production is responsible for the Company's largest contract, which is supplying the UAE with 200 units worth US\$300 million into 2024. EOS recently secured two conditional contracts totaling A\$181 million to supply Ukraine with RWS. EOS has also won a few smaller contracts in Ukraine, involving the L3Harris VAMPIRE program, with additional wins in Southeast Asia and NATO

The Company sees its counter-drone applications as an opportunity for outsized growth. In 2023 EOS launched its newest counter-drone product named "Slinger". The Slinger product was launched in May 2023 and was available for both the domestic Australian market as well as international markets to address current and emerging threats that are informed by the Ukraine conflict. The product is equipped with a radar and 30mm cannon that incorporates specialized ammunition with EOS' proprietary technology for effective counter-drone operations.

UGVs are also a major growth area for EOS. Recent technological advancements have increased UGVs' accuracy and reliability, making them attractive to customers. Over the last two decades militaries have shifted their battlefield tactics by using drones and UGVs. The use of UGVs has become a top priority for international defense programs wishing to reduce casualties while increasing lethality. EOS provides remote lethality to the U.S., Thailand, the Netherlands, and Australia.

Additionally, EOS is developing a prototype directed energy weapon, a high energy laser (HEL), that management expects to bring growth potential. It functions somewhat comparable to the laser from James Bond's Goldfinger. While there is still work to be done before the prototype will reach commercialization, there has been excitement surrounding it. As the Company has previously demonstrated a 36kW HEL, the Company is now in the process of finding a strategic partner to aid in funding and development. This new technology could provide a catalyst to significantly drive revenues.

EOS Space Systems

EOS's Space Segment is an industry leader that specializes in space surveillance and intelligence services, space control and warfare capabilities, and optical and satellite communications products. In the space, this segment has produced inconsistent and unreliable results for EOS. However, management has a commitment to only invest in activities that have true potential to produce meaningful returns in the future. By focusing its efforts on bolstering its operating efficiency to build superior products, EOS can capitalize on a rapidly growing market with governments actively working to build their space capabilities.

In March 2023, the White House proposed a USD\$30 billion budget for the U.S. Space Force, increasing by USD\$4 billion over 2022. This exhibits the U.S. commitment to build up and maintain the Space Force in the face of impending threats from China and Russia. As other countries follow suit and build their space warfare capacities, EOS could be presented as a significant opportunity to garner extensive contract wins.

EM Solutions

While EM Solutions is a branch of Space Solutions segment, we felt it was a significant portion of the business to discuss separately. The EM Solutions segment is a world leader in the development and deployment of satellite communication (SATCOM) systems for Naval defense forces and maritime customers. Its key products are the Cobra and next generation King Cobra systems that are in use by allied forces in Europe and the Middle East. This represents a significant opportunity for future growth for EOS, as previously the EM Solutions segment focused on the Australian market but is now expanding to European markets.

Management expects this segment to show healthy growth as it has a strong order book going into 2024. During 3Q22, EOS signed a A\$26m 3-year contract with Royal Australian Navy for the sustainment of its fleet of Cobra Maritime SATCOM terminals. Steadily securing contracts with domestic and international customers is essential to maintaining its current growth trajectory in the medium term. Most recently the company secured new orders worth \$8.5m for satellite communication terminals and Radio Frequency components.

Turnaround Strategy

EOS has implemented a turnaround strategy to scale the company's revenue and reach profitability. This began with the appointments of new CEO Andreas Schwer, CFO Clive Cuthell, and Chair Garry Hounsell. Historically, the Company was known to severely overpromise on their expectations only to completely underdeliver, losing credibility and investor trust in the process. New management adopted an opposite approach by giving honest expectations and clearly displaying their goals by initiating a multiphase turnaround program.

The now completed phase 1 concentrated on restructuring the business. When EOS's new management was appointed, its immediate goals were to cut unnecessary costs and seek additional funding, seen by the termination of the cash burning SpaceLink venture and the borrowing facilities set up in October 2022. This was swift and effective as EOS has ended AUD\$26m per year of cash outflows from SpaceLink and AUD\$25m from roles that were redundant. The Company also fully drew its A\$70m principal loan to push operations forward.

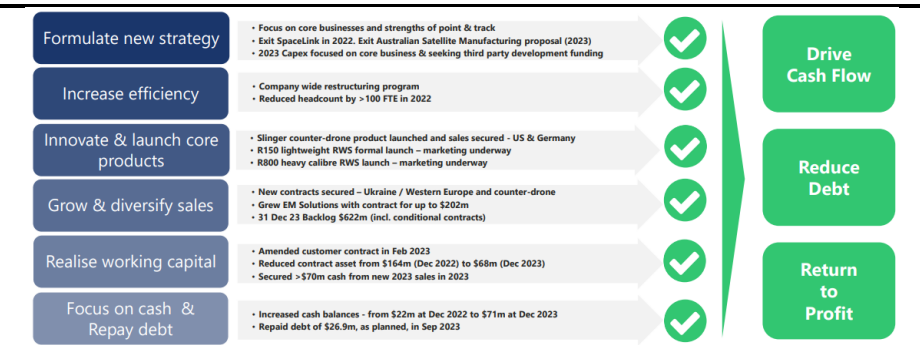
Phase 2 is currently underway and is focused on collecting cash from customers and securing new orders. Thus far the Company has made true on the plan, by renegotiating contracts and building up

a backlog of A\$450m. In the short term, cashflows were down in 2022 due to delays in cash collections, lower customer activity levels, and costs associated with restructuring the business. However, the Company is now in a solid position to drive its cash performance in 2023 and 2024. If EOS sticks to its turnaround strategy, its reputation should improve, allowing the business to grow. Most recently we note that the Company has generated a positive operating cash flow of A\$30.7m in 1H23. We view this as proof that the Company is taking the necessary steps to execute on its turnaround.

With EOS at the midway point of its turnaround program we expect the Company to continue focusing on cash receipts as well as management of cost and capital. While this is an ongoing process, we also expect the company to begin moving its focus towards growing strategic partnerships as part of the next phase of the turnaround. We see

steps being taken towards this phase with the announcement of the European entity that will grow the Company's footprint in Europe and ability to collaborate with customers in the region.

Exhibit 3: Turnaround Strategy



Source: Company Presentation

Financing

In the fall of 2022, EOS set up new borrowing facilities with equity investor Washington H. Soul Pattinson ("WHSP"), containing terms that interest can be capitalized in 12 months. The Company receives A\$70 million principle and the total amount required to be repaid is A\$127m. At July 30, 2023, the facilities were fully drawn, despite having A\$42.0m in cash to continue funding operations. Due to the challenging circumstances the Company was facing when they took this loan, leading to the high rates seen in exhibit 4, it is expected that EOS will prioritize debt repayments as their cash flow improves over the coming 18 months.

We expect the funding for this debt repayment to come from the combination of cash on the balance sheet and working capital contract assets outstanding. The receivables are primarily due from customers in the middle east and are expected to be realized over time. The current contract amendment secured by management makes us increasingly confident that these receivables will be realized.

Exhibit 4: Funding

A\$m	Principal	Term	Maturity	Total Rate	Repayment
Working Capital Facility	15.0	18m	11 Apr 24	19%	20.5
Term Loan Facility	35.0	36m	11 Oct 25	26%	52.1
Total	50.0				72.6

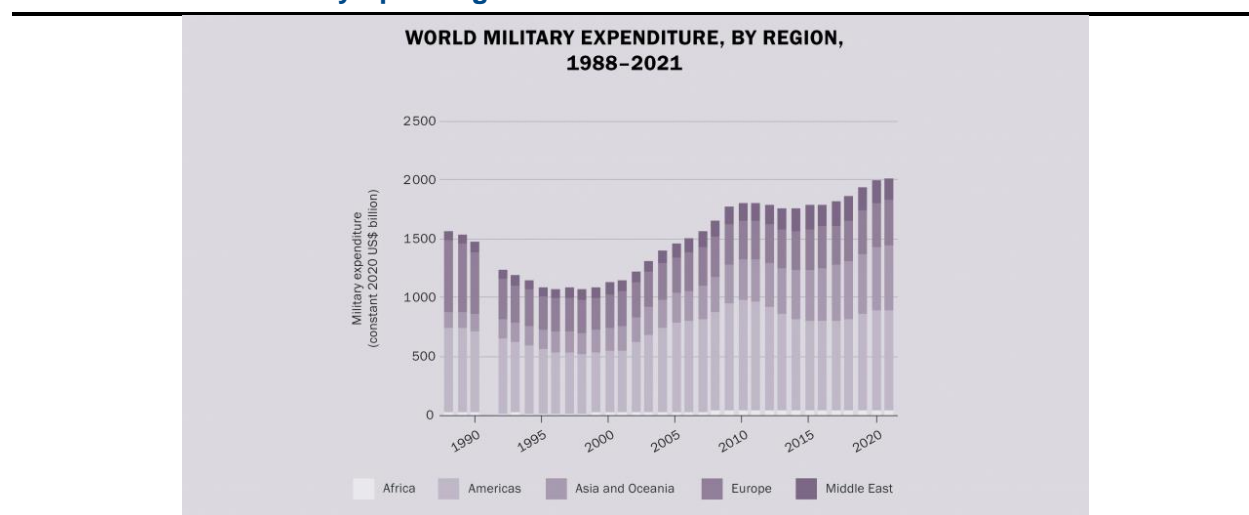
Source: Company Presentation

Market Overview

Global military spending has steadily increased over the last three decades. Despite a high inflationary environment, governments have actively increased their military budgets, largely due to the war in Ukraine as well as rising tensions in Asia. In fact, global military spending reached all-time high in 2022, surpassing \$2 trillion for the first time in history and the number is increasing. Ukraine's military spending was \$44 billion in 2022, increasing 640% over 2021. With the War in Ukraine and tensions in Asia and the Middle East showing no sign of resolving soon, this rapid growth in spending is expected to persist.

EOS has experienced the effects of the spending surge with active contracts and contract negotiations to supply Ukraine and supporting countries with RWS's. In January 2023, the defense systems secured a contract in the U.S. for use in L3Harris Vampire program supporting Ukraine. In April 2023, the Company entered conditional contracts with Ukraine valued at AUD\$181m to supply RWS, including ammunition, spares, and related services. Consistent contract wins like this are key for the Company's future, especially as defense spending continues to reach all time highs.

Exhibit 5: Global Military Spending 1998-2021



Source: Stockholm International Peace Research Institute (SIPRI)

Risks

As with any investment, there are certain risks associated with EOS's operations as well as with the surrounding economic and regulatory environments common to the Aerospace & Defense industry and operating in foreign countries.

Highly Competitive Industry – The Aerospace & Defense industry is highly competitive with several large players. Should EOS fail to attract more customers or lose current customers to other companies, the business could suffer. Additionally, should countries begin to reduce their budgets and reduce their demand for defense solutions, competition will rise and EOS's market will decrease.

Geopolitical Change – EOS operates in an industry that is subject to high geopolitical risk. Should governments reduce their military budgets, EOS's becomes more at risk of a reduction in its revenues. Additionally, some of the markets that the Company operates in are exposed to political and economic instability, which could bring negative pressures on operations.

Customer Concentration – The Company's activities are currently concentrated with two customers in two markets with a backlog of over AUD\$300m. A delay in cash receipts puts downward pressure on the business. Failure to secure future sales contracts and diversify its customers base could hurt the Company's ability to continue operations.

Regulatory Changes – The Company is exposed to regulatory changes. The risks of regulations include export licenses, security obligations, and compliance with countries' securities legislation. This subjects EOS to potential legal disputes, investigations, and sanctions from investors, governments, and customers amongst others. Any sort of legal action taken on the Company could have negative ramifications on operations.

VALUATION SUMMARY

We use a DCF Analysis and a Comparison Analysis to frame valuation.

DCF Analysis

We are modeling near-term revenue growth rates driven by continued contract wins around the globe. Our longer-term revenue growth normalizes around 5%.

For our sensitivity analysis, we used a range of discount rates from 10.25% to 10.75% and terminal growth rates between 1.50% and 2.50%. We selected this discount rate to account for EOS's smaller market cap and the current interest rate environment. This results in a valuation range of A\$1.74 to A\$1.98 with a midpoint of A\$1.85.

Sensitivity Analysis:

		Terminal Growth Rates				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount rate	10.00%	\$1.86	\$1.92	\$1.98	\$2.05	\$2.14
	10.25%	\$1.80	\$1.85	\$1.91	\$1.98	\$2.05
	10.50%	\$1.74	\$1.79	\$1.85	\$1.91	\$1.98
	10.75%	\$1.69	\$1.74	\$1.79	\$1.84	\$1.91
	11.00%	\$1.64	\$1.68	\$1.73	\$1.78	\$1.84

Comparison Analysis

Company Name	Symbol	Price ⁽¹⁾	Mrkt Cap (M)	EV (M)	EV/Revenue ^(2,3)			EV/EBITDA ^(2,3)			P/E ^(2,3)		
					2023	2024E	2025E	2023	2024E	2025E	2023	2024E	2025E
Ducommun Incorporated	DCO	\$ 48.28	\$ 706.9	\$ 960.8	1.4x	1.2x	1.1x	9.8x	8.5x	7.4x	3.3x	1.1x	0.8x
HEICO Corporation	HEI	\$193.52	\$ 23,550.4	\$ 26,220.4	8.3x	6.7x	6.3x	33.6x	26.7x	24.3x	0.4x	0.4x	0.3x
Kratos Defense & Security Solutions, Inc.	KTOS	\$ 18.68	\$ 2,786.4	\$ 3,065.0	2.8x	2.7x	2.4x	33.1x	29.1x	24.8x	-2.3x	0.3x	0.2x
L3Harris Technologies, Inc.	LHX	\$211.74	\$ 40,249.6	\$ 53,703.6	2.8x	2.5x	2.4x	15.4x	14.0x	12.9x	0.2x	0.1x	0.1x
Lockheed Martin Corporation	LMT	\$430.43	\$104,010.5	\$121,204.5	1.9x	1.7x	1.7x	12.7x	12.4x	11.9x	0.1x	0.1x	0.1x
MDA Ltd.	MDA	\$ 10.42	\$ 1,245.6	\$ 1,465.9	N/A	2.0x	1.5x	9.9x	9.9x	7.6x	0.2x	0.2x	0.1x
Moog Inc.	MOG.A	\$149.10	\$ 4,734.6	\$ 5,678.9	1.8x	1.6x	1.5x	14.2x	11.7x	10.5x	0.8x	0.6x	0.6x
Northrop Grumman Corporation	NOC	\$458.36	\$ 68,770.4	\$ 81,370.4	2.1x	2.0x	1.9x	15.9x	14.3x	13.3x	0.2x	0.1x	0.1x
RTX Corporation	RTX	\$ 90.42	\$119,763.7	\$160,410.7	2.2x	2.0x	1.9x	11.7x	12.3x	11.8x	0.0x	0.0x	0.0x
Spirit AeroSystems Holdings, Inc.	SPR	\$ 29.17	\$ 3,385.3	\$ 6,742.5	1.2x	0.9x	0.8x	17.9x	9.7x	7.2x	-0.1x	1.0x	0.1x
Average					2.7x	2.3x	2.2x	17.4x	14.9x	13.2x	0.3x	0.4x	0.2x
Median					2.1x	2.0x	1.8x	14.8x	12.3x	11.8x	0.2x	0.3x	0.1x
Electro Optic Systems Holdings Limited	ASX: EOS	\$ 1.05	\$ 179.4	\$ 222.6	1.1x	1.0x	0.9x	43.0x	13.2x	9.8x	-4.6x	-11.1x	36.8x

(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 \$1.53 AUD/USD

Source: Company reports, CapitalIQ, Stonegate Capital Partners

We use an EV/EBITDA multiples comparison to determine a valuation range for EOS. Given the current turnaround story and large backlog of receivables, coupled with the potential for continued growth due to the favorable market outlook, we feel comfortable using FY25 estimated EBITDA to value EOS. This allows us to value EOS as compared to the above peer companies that are trading at an average of 13.2x of estimated EV/EBITDA in 2025. This is compared to EOS that is trading at 9.8x based on our estimates.

We believe that EOS should be trading at a 2025 EV/EBITDA range of 10.0x to 11.0x, which will bring the Company in line with peers while accounting for the size of EOS as compared to peers. This informs a valuation range of A\$1.64 to A\$1.82 with a midpoint of A\$1.73.

	EV/EBITDA		
2025 E	10.00x	10.50x	11.00x
Adj EBITDA	25.9	25.9	25.9
TEV	259.2	272.1	285.1
Cash	71.0	71.0	71.0
Debt	88.7	88.7	88.7
Mrkt Cap	241.4	254.4	267.3
S/O	146.9	146.9	146.9
Price	\$ 1.64	\$ 1.73	\$ 1.82

DISCOUNTED CASH FLOW

Electro Optic Systems Holdings Limited														
Discounted Cash Flow Model														
(in AUD\$M, except per share)														
Estimates:	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	Terminal Value
Revenue	152.4	222.7	252.9	271.4	289.6	309.9	331.5	353.1	375.3	396.7	417.4	438.2	460.1	
Opearting Income	(48.6)	(4.6)	7.6	14.2	18.8	20.1	22.2	23.7	26.3	27.8	35.5	37.2	40.0	
Less: Taxes (benefit)	9.3	6.1	0.7	0.6	4.7	5.0	5.6	5.9	6.6	6.9	8.9	9.3	10.0	
NOPAT	(57.9)	(10.7)	6.9	13.6	14.1	15.1	16.7	17.7	19.7	20.8	26.6	27.9	30.0	
Plus: D&A	11.1	12.4	13.8	14.2	14.2	13.9	14.3	14.5	16.1	16.3	16.7	17.5	18.4	
Plus: Changes in WC	31.1	53.0	25.3	6.8	7.2	3.1	(1.7)	(1.8)	(1.9)	(4.0)	(4.2)	(4.4)	(4.6)	
Less: Capex	(19.7)	(2.9)	(34.1)	(10.9)	(5.8)	(5.6)	(5.3)	(7.4)	(7.9)	(8.3)	(9.2)	(10.1)	(10.6)	
Free Cash Flow	(35.4)	51.7	11.8	23.8	29.8	26.6	24.0	23.0	26.1	24.8	29.9	31.0	33.2	398.9
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			0.90	0.82	0.74	0.67	0.61	0.55	0.50	0.45	0.41	0.37	0.33	
PV of FCJ			10.7	19.5	22.1	17.8	14.5	12.7	13.0	11.2	12.2	11.4	11.1	133.0
Growth rate assumptions:														
Revenue		46.1%	13.6%	7.3%	6.7%	7.0%	7.0%	6.5%	6.3%	5.7%	5.2%	5.0%	5.0%	
Operating Income		-90.5%	-264.8%	87.4%	32.2%	7.0%	10.3%	6.5%	11.1%	5.7%	27.7%	5.0%	7.5%	
EBITDA		-120.7%	174.7%	33.2%	16.1%	3.2%	7.0%	4.6%	11.2%	3.8%	18.5%	5.0%	6.7%	
Free Cash Flow		-246.0%	-77.1%	101.1%	25.2%	-10.7%	-9.8%	-3.8%	13.2%	-4.9%	20.8%	3.5%	7.2%	
Margin assumptions:														
Operating Income	-31.9%	-2.1%	3.0%	5.2%	6.5%	6.5%	6.7%	6.7%	7.0%	7.0%	8.5%	8.5%	8.7%	
D&A as a % of sales	7.3%	5.6%	5.4%	5.2%	4.9%	4.5%	4.3%	4.1%	4.3%	4.1%	4.0%	4.0%	4.0%	
EBITDA	-24.6%	3.5%	8.4%	10.5%	11.4%	11.0%	11.0%	10.8%	11.3%	11.1%	12.5%	12.5%	12.7%	
Taxes	-19.1%	-132.0%	8.9%	4.2%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Changes in WC	20.4%	23.8%	10.0%	2.5%	2.5%	1.0%	-0.5%	-0.5%	-0.5%	-1.0%	-1.0%	-1.0%	-1.0%	
Capex as a % of sales	-12.9%	-1.3%	-13.5%	-4.0%	-2.0%	-1.8%	-1.6%	-2.1%	-2.1%	-2.1%	-2.2%	-2.3%	-2.3%	
Valuation:														
Shares outstanding	146.9													
PV of FCJ	156.1													
PV of Terminal Value	133.0													
Enterprise Value	289.1													
less: Net Debt	17.7													
Estimated Total Value:	271.3													
Est Equity Value/share:	\$1.85													
Sensitivity Analysis:														
Discount rate		Terminal Growth Rates												
			1.0%	1.5%	2.0%	2.5%	3.0%							
	10.00%	\$1.86	\$1.92	\$1.98	\$2.05	\$2.14								
	10.25%	\$1.80	\$1.85	\$1.91	\$1.98	\$2.05								
	10.50%	\$1.74	\$1.79	\$1.85	\$1.91	\$1.98								
	10.75%	\$1.69	\$1.74	\$1.79	\$1.84	\$1.91								
11.00%	\$1.64	\$1.68	\$1.73	\$1.78	\$1.84									
Price	\$1.60													

Source: Company Reports; Stonegate Capital Markets

BALANCE SHEET

Electro Optic Systems Holdings Limited
Consolidated Balance Sheets (AUD\$ M)
Fiscal Year End: December

ASSETS	FY 2019	Q2 Jun-20	Q4 Dec-20	FY 2020	Q2 Jun-21	Q4 Dec-21	FY 2021	Q2 Jun-22	Q4 Dec-22	FY 2022	Q2 Jun-23	Q4 Dec-23	FY 2023
Cash and cash equivalents	77.9	128.1	65.9	65.9	51.1	59.3	59.3	13.8	21.7	21.7	42.0	71.0	71.0
Trade and other receivables	27.1	17.7	35.8	35.8	17.6	23.5	23.5	10.6	7.4	7.4	20.1	8.5	8.5
Tax Receivable	-	1.9	-	-	-	0.2	0.2	0.8	12.2	12.2	17.1	-	-
Security Deposits	-	-	-	-	-	-	-	-	-	-	-	21.1	21.1
Contract assets	44.2	94.8	124.5	124.5	120.4	106.8	106.8	109.0	127.9	127.9	68.1	29.1	29.1
Inventories	53.5	76.2	67.3	67.3	68.9	74.6	74.6	83.2	74.8	74.8	72.9	73.4	73.4
Prepayments	-	-	-	-	-	20.4	20.4	-	17.6	17.6	16.5	16.4	16.4
Others	14.6	12.3	13.1	13.1	11.3	-	-	18.6	-	-	-	-	-
Total Current Assets	217.2	330.9	306.7	306.7	269.3	284.8	284.8	236.0	261.7	261.7	236.7	219.4	219.4
Contract assets	-	-	13.4	13.4	18.1	21.5	21.5	24.3	36.5	36.5	36.7	38.9	38.9
Deferred tax asset	3.0	7.4	11.3	11.3	9.4	4.5	4.5	11.3	3.3	3.3	2.6	9.0	9.0
Security deposits	9.0	18.5	16.7	16.7	25.7	28.1	28.1	31.3	35.6	35.6	41.2	46.0	46.0
Loan to associate	2.6	2.4	2.4	2.4	2.5	2.5	2.5	2.5	-	-	-	-	-
Right of use assets	14.0	19.1	20.1	20.1	26.8	28.6	28.6	24.3	18.3	18.3	22.1	19.8	19.8
Goodwill	14.9	14.9	14.9	14.9	14.9	14.9	14.9	12.4	12.4	12.4	12.4	12.4	12.4
Trade and other receivable	12.1	13.9	2.1	2.1	-	-	-	-	-	-	-	-	-
Intangible assets	17.2	21.4	19.7	19.7	18.4	17.1	17.1	13.2	12.4	12.4	11.6	18.3	18.3
Property, plant, and equipment	8.1	18.2	29.1	29.1	35.5	56.1	56.1	34.8	37.2	37.2	35.2	29.5	29.5
Other	7.2	0.9	1.0	1.0	3.8	-	-	-	-	-	-	-	-
Total Assets	\$ 305.3	\$ 447.7	\$ 437.4	\$ 437.4	\$ 424.5	\$ 458.1	\$ 458.1	\$ 390.2	\$ 417.4	\$ 417.4	\$ 398.6	\$ 393.2	\$ 393.2
LIABILITIES AND SHAREHOLDERS' EQUITY													
Trade and other payables	37.0	54.4	52.2	52.2	40.6	35.4	35.4	62.1	43.2	43.2	44.2	40.8	40.8
Contract liabilities	-	-	-	-	-	7.7	7.7	-	22.2	22.2	18.1	20.6	20.6
Secured borrowings	-	-	-	-	-	34.4	34.4	34.8	21.4	21.4	43.5	19.9	19.9
Unsecured borrowings	-	-	-	-	-	-	-	-	1.9	1.9	0.3	-	-
Lease liabilities	2.6	3.3	3.4	3.4	4.1	5.2	5.2	5.1	3.9	3.9	5.0	4.9	4.9
Current tax payable	8.4	-	0.0	0.0	0.2	-	-	-	-	-	-	3.6	3.6
Provisions	12.9	17.2	15.1	15.1	15.5	14.2	14.2	21.2	12.2	12.2	10.3	25.8	25.8
Total Current Liabilities	60.8	74.8	70.8	70.8	60.5	96.8	96.8	123.2	104.8	104.8	121.4	115.5	115.5
Secured borrowings	-	-	-	-	-	-	-	-	49.4	49.4	39.7	44.9	44.9
Lease liabilities	11.4	16.3	17.7	17.7	23.4	24.9	24.9	26.0	20.5	20.5	23.2	19.0	19.0
Provisions	6.5	5.2	9.3	9.3	10.9	7.2	7.2	8.8	9.6	9.6	13.1	14.7	14.7
Total Liabilities	78.7	96.4	97.8	97.8	94.8	128.9	128.9	158.0	184.3	184.3	197.4	194.2	194.2
Issued Capital	274.3	412.9	413.5	413.5	413.7	413.7	413.7	413.7	432.2	432.2	432.2	432.2	432.2
Reserves	9.3	9.8	8.4	8.4	9.9	11.6	11.6	13.5	12.5	12.5	13.1	12.6	12.6
Accumulated losses	(56.6)	(70.4)	(81.0)	(81.0)	(92.3)	(94.0)	(94.0)	(192.4)	(208.5)	(208.5)	(240.5)	(241.8)	(241.8)
Total Parent Net Equity	227.1	352.2	340.9	340.9	331.4	331.3	331.3	234.8	236.3	236.3	204.9	203.1	203.1
Minority interest	(0.5)	(0.9)	(1.3)	(1.3)	(1.7)	(2.2)	(2.2)	(2.7)	(3.2)	(3.2)	(3.7)	(4.0)	(4.0)
Total Consolidated Equity	226.5	351.3	339.6	339.6	329.6	329.2	329.2	232.2	233.1	233.1	201.2	199.1	199.1
Total Liabilities and Shareholders' Equity	\$ 305.3	\$ 447.7	\$ 437.4	\$ 437.4	\$ 424.5	\$ 458.1	\$ 458.1	\$ 390.2	\$ 417.4	\$ 417.4	\$ 398.6	\$ 393.2	\$ 393.2
Liquidity													
Current Ratio	3.6x	4.4x	4.3x	4.3x	4.5x	2.9x	2.9x	1.9x	2.5x	2.5x	2.0x	1.9x	1.9x
Quick Ratio	2.7x	3.4x	3.4x	3.4x	3.3x	2.2x	2.2x	1.2x	1.8x	1.8x	1.4x	1.3x	1.3x
Working Capital	156.35	256.10	235.91	235.91	208.83	187.99	187.99	112.81	156.88	156.88	115.38	103.93	103.93
Leverage													
Debt to Equity	6.2%	5.6%	6.2%	6.2%	8.4%	19.6%	19.6%	28.4%	41.7%	41.7%	55.5%	44.6%	44.6%
Debt to Capital	5.8%	5.3%	5.9%	5.9%	7.7%	16.4%	16.4%	22.1%	29.4%	29.4%	35.7%	30.8%	30.8%
Profitability													
Return on Average Assets	8.3%	-3.7%	-2.4%	-6.6%	-2.6%	-0.4%	-2.9%	-23.2%	-4.0%	-26.2%	-7.8%	-0.3%	-8.2%
Return on Average Equity	11.2%	-4.8%	-3.1%	-8.6%	-3.4%	-0.5%	-3.9%	-35.1%	-6.9%	-40.7%	-14.7%	-0.7%	-15.4%

INCOME STATEMENT

Electro Optic Systems Holdings Limited

Consolidated Statements of Income (in AUD\$ M, except per share amounts)

Fiscal Year End: December

	FY 2019	FY 2020	Q2 Jun-21	Q4 Dec-21	FY 2021	Q2 Jun-22	Q4 Dec-22	FY 2022	Q2 Jun-23	Q4 Dec-23	FY 2023	Q2 E Jun-24	Q4 E Dec-24	FY 2024E	Q2 E Jun-25	Q4 E Dec-25	FY 2025E
Revenues	\$ 165.4	\$ 180.2	\$ 97.8	\$ 114.5	\$ 212.3	\$ 53.8	\$ 84.1	\$ 137.9	\$ 74.3	\$ 145.0	\$ 219.3	\$ 92.9	\$ 155.8	\$ 248.7	\$ 100.3	\$ 166.6	\$ 266.9
Other revenue & inc	0.6	(5.6)	3.9	6.9	10.8	7.7	6.9	14.5	2.7	0.7	3.4	3.4	0.8	4.2	3.7	0.8	4.5
Total Revenues	166.0	174.6	101.7	121.4	223.1	61.4	91.0	152.4	77.0	145.6	222.7	96.3	156.6	252.9	104.0	167.4	271.4
Operating Expenses:																	
Cost of raw materials	84.4	77.7	74.6	42.6	117.2	25.7	61.7	87.5	46.0	82.1	128.0	56.8	82.5	139.3	59.2	86.6	145.7
Changes in inventory	5.7	38.3	(17.9)	12.2	(5.7)	8.6	(4.7)	3.9	2.3	(6.7)	(4.4)	-	-	-	-	-	-
Gross Profit	75.9	58.6	45.0	66.6	111.6	27.1	34.0	61.0	28.7	70.3	99.0	39.5	74.2	113.6	44.8	80.9	125.7
Employee benefits expense	33.7	53.2	33.8	25.3	59.1	31.4	31.6	63.0	26.9	30.4	57.3	27.4	29.5	56.9	28.4	30.4	58.7
Occupancy costs	0.5	1.7	0.8	0.9	1.7	0.9	1.0	1.9	0.8	1.2	2.1	0.8	1.1	2.0	0.8	1.2	2.0
Administration expenses	14.1	19.8	9.4	6.4	15.8	12.6	10.7	23.3	13.5	16.5	30.0	13.7	16.8	30.6	14.6	17.3	31.9
D&A	4.1	9.6	5.6	4.5	10.1	5.3	5.8	11.1	7.0	5.4	12.4	6.8	7.0	13.8	7.0	7.2	14.2
Impairments	-	0.3	-	-	-	3.8	3.5	7.3	-	-	-	-	-	-	-	-	-
Other Expenses	1.7	2.5	1.2	1.1	2.3	0.0	3.1	3.1	-	1.9	1.9	1.7	1.2	2.9	2.3	2.3	4.6
Total Operating Expenses	54.1	87.1	50.8	38.1	89.0	54.0	55.7	109.7	48.2	55.4	103.6	50.4	55.6	106.0	53.1	58.4	111.4
Operating Income	21.8	(28.5)	(5.9)	28.5	22.6	(26.9)	(21.8)	(48.6)	(19.5)	14.9	(4.6)	(11.0)	18.6	7.6	(8.3)	22.5	14.2
Finance costs	(0.4)	(1.4)	(2.9)	(3.7)	(6.6)	(6.1)	(8.2)	(14.3)	(16.0)	(19.6)	(35.6)	(16.5)	(14.3)	(30.9)	(5.9)	(2.4)	(8.2)
Profit Before Taxes	21.4	(29.9)	(8.8)	24.8	16.0	(33.0)	(29.9)	(62.9)	(35.5)	(4.7)	(40.2)	(27.5)	4.2	(23.3)	(14.1)	20.1	6.0
Provision for Income Tax	(3.8)	4.7	(2.9)	(6.3)	(9.2)	6.6	2.7	9.3	3.0	3.0	6.1	1.1	(0.4)	0.7	(1.4)	2.0	0.6
Net Income	17.6	(25.2)	(11.7)	18.5	6.7	(26.4)	(27.2)	(53.6)	(32.4)	(1.7)	(34.1)	(26.4)	3.8	(22.6)	(15.6)	22.1	6.6
Non-Controlling Interest	(0.4)	(0.8)	(0.4)	(0.4)	(0.8)	(0.5)	(0.5)	(1.0)	(0.5)	(0.4)	(0.8)	(0.5)	(0.5)	(1.0)	(0.5)	(0.5)	(1.0)
Discontinued Operations	-	-	-	(20.6)	(20.6)	(72.6)	10.6	(62.0)	-	-	-	-	-	-	-	-	-
Net Income To Common Stkhldrs	18.0	(24.4)	(11.3)	(1.7)	(13.0)	(98.4)	(16.1)	(114.5)	(32.0)	(1.3)	(33.3)	(25.9)	4.3	(21.6)	(15.1)	22.6	7.6
Basic EPS	\$ 0.19	\$ (0.20)	\$ (0.09)	\$ (0.02)	\$ (0.09)	\$ (0.71)	\$ (0.07)	\$ (0.78)	\$ (0.20)	\$ (0.03)	\$ (0.23)	\$ (0.17)	\$ 0.03	\$ (0.14)	\$ (0.10)	\$ 0.15	\$ 0.04
Diluted EPS	\$ 0.19	\$ (0.20)	\$ (0.09)	\$ (0.02)	\$ (0.09)	\$ (0.71)	\$ (0.07)	\$ (0.78)	\$ (0.20)	\$ (0.03)	\$ (0.23)	\$ (0.17)	\$ 0.03	\$ (0.14)	\$ (0.10)	\$ 0.15	\$ 0.04
WTD Shares Out - Basic	92.9	129.2	137.5	138.9	138.9	138.9	146.9	146.9	159.2	146.9	146.9	148.3	149.8	149.8	149.8	151.3	151.3
WTD Shares Out - Diluted	93.2	129.2	137.5	138.9	138.9	138.9	146.9	146.9	159.2	146.9	146.9	148.3	149.8	149.8	149.8	151.3	151.3
EBITDA	25.9	(2.9)	(3.7)	26.5	22.8	(24.3)	(18.7)	(42.9)	(14.9)	20.5	5.7	(6.6)	25.8	19.2	(3.9)	29.9	25.9

Margin Analysis																	
Gross Margin	45.7%	33.6%	44.2%	54.9%	50.0%	44.1%	37.3%	40.0%	37.3%	48.3%	44.5%	41.0%	47.4%	44.9%	43.1%	48.3%	46.3%
Operating Margin	13.1%	-16.3%	-5.8%	23.4%	10.1%	-43.8%	-23.9%	-31.9%	-25.3%	10.2%	-2.1%	-11.4%	11.8%	3.0%	-7.9%	13.4%	5.2%
EBITDA Margin	16.6%	-1.7%	-3.6%	21.8%	10.2%	-39.5%	-20.5%	-28.2%	-19.3%	13.3%	2.0%	-6.9%	16.4%	7.6%	-3.8%	17.8%	9.5%
Pre-Tax Margin	12.9%	-17.1%	-8.7%	20.4%	7.2%	-53.7%	-32.9%	-41.3%	-46.1%	-3.2%	-18.1%	-28.6%	2.7%	-9.2%	-13.6%	12.0%	2.2%
Net Income Margin	10.6%	-14.4%	-11.5%	15.2%	3.0%	-42.9%	-29.9%	-35.2%	-42.1%	-1.2%	-15.3%	-27.4%	2.4%	-8.9%	-15.0%	13.2%	2.4%
Tax Rate	-17.5%	-15.7%	33.1%	-25.5%	-57.8%	-20.0%	-9.0%	-14.8%	-8.6%	-64.5%	-15.1%	-4.0%	-10.0%	-2.9%	10.0%	10.0%	10.0%
Growth Rate Y/Y																	
Total Revenue	75.0%	5.2%	35.1%	22.3%	27.8%	-39.6%	-25.0%	-31.7%	25.4%	60.0%	46.1%	25.0%	7.5%	13.6%	8.0%	6.9%	7.3%
Total cost of revenues	48.2%	60.8%	26.8%	-18.8%	2.2%	6.1%	46.1%	23.2%	-10.7%	-0.6%	-5.5%	4.6%	0.4%	2.4%	5.3%	5.0%	5.1%
Operating Income	44.1%	-230.7%	-65.0%	-343.4%	-179.3%	357.2%	-176.4%	-315.4%	-27.4%	-168.5%	-90.5%	-43.8%	24.5%	-264.8%	-24.6%	21.3%	87.4%
Pre-Tax Income	41.9%	-239.7%	-52.8%	-320.5%	-153.4%	274.0%	-220.7%	-493.7%	7.6%	-84.2%	-36.1%	-22.5%	-189.2%	-42.1%	-48.6%	378.0%	-125.7%
Net Income	17.0%	-242.9%	-17.8%	-268.7%	-126.7%	124.9%	-247.4%	-895.0%	22.9%	-93.8%	-36.4%	-18.6%	-326.1%	-33.7%	-41.1%	484.2%	-129.1%

Source: Company Reports, Stonegate Capital Partners estimates

Statement of Cash Flows

Electro Optic Systems Holdings Limited Consolidated Cash Flow Statements (AUD\$ M) Fiscal Year End: December													
CASH FLOW	FY 2019	Q2 Jun-20	Q4 Dec-20	FY 2020	Q2 Jun-21	Q4 Dec-21	FY 2021	Q2 Jun-22	Q4 Dec-22	FY 2022	Q2 Jun-23	Q4 Dec-23	FY 2023
Operating Activities													
Receipts from customers	109.1	53.0	54.6	107.6	117.0	117.0	233.9	74.5	71.4	145.9	123.3	202.2	325.5
Payments to suppliers and employees	(141.3)	(103.8)	(100.6)	(204.4)	(109.7)	(115.6)	(225.3)	(86.2)	(102.4)	(188.6)	(89.1)	(126.8)	(215.9)
Income tax paid	(1.9)	(10.3)	(1.7)	(12.0)	(0.8)	(1.9)	(2.6)	(0.9)	(0.1)	(1.0)	(0.4)	17.1	16.7
Interest and bill discounts received	0.6	0.4	0.3	0.7	0.3	(0.3)	0.0	0.0	0.2	0.2	0.1	0.9	1.0
Interest and other cost of finance paid	(0.4)	(1.9)	0.9	(1.0)	(2.3)	(3.6)	(5.9)	(4.5)	(3.6)	(8.0)	(3.2)	(11.0)	(14.2)
Cash flow generated/(absorbed) from operating Activities	(33.8)	(62.6)	(46.6)	(109.2)	4.6	(4.3)	0.2	(17.1)	(34.5)	(51.6)	30.7	82.4	113.1
Investing Activities													
Payment for property, plant, and equipment	(4.6)	(12.0)	(12.5)	(24.6)	(9.0)	(20.0)	(29.0)	(16.1)	(3.2)	(19.3)	(1.4)	(1.6)	(2.9)
Security deposit for performance bond	-	(7.5)	0.3	(7.3)	(8.4)	(0.3)	(8.7)	(7.1)	(4.1)	(11.2)	(4.7)	(27.1)	(31.8)
Repayment of loan by associated entity	(2.8)	-	-	-	-	-	-	-	2.6	2.6	-	-	-
Payment to acquire a business	(1.3)	-	-	-	-	-	-	(0.4)	0.0	(0.4)	-	-	-
Payment for intangible assets	-	(5.0)	(0.1)	(5.2)	-	-	-	-	-	-	-	-	-
Cash flow generated by Investing Activities	(8.6)	(24.6)	(12.4)	(37.0)	(17.3)	(20.4)	(37.7)	(23.6)	(4.7)	(28.3)	(6.1)	(28.7)	(34.7)
Financing Activities													
Drawdown non-current bank loans and borrowings	-	-	-	-	-	-	-	-	14.6	14.6	-	-	-
Repayment non-current bank loans and borrowings	-	-	-	-	0.2	0.0	0.2	-	-	-	(1.6)	1.6	-
Net changes in current and non-current financial assets and liabilities	(1.7)	(1.5)	(1.7)	(3.2)	(2.1)	(1.7)	(3.9)	(2.6)	(2.5)	(5.0)	(2.3)	(2.4)	(4.6)
Non-monetary change	-	-	-	-	-	35.0	35.0	-	75.7	75.7	-	-	-
Distribution of Dividends	-	-	-	-	-	-	-	-	(35.8)	(35.8)	-	(24.4)	(24.4)
Acquisition of treasury shares	-	-	-	-	-	(0.8)	(0.8)	-	(4.1)	(4.1)	-	-	-
Proceeds from issue of new shares	81.3	138.6	0.6	139.2	-	-	-	-	-	-	-	-	-
Cash flow generated/(absorbed) by financing Activities	79.6	137.0	(1.1)	135.9	(1.9)	32.5	30.6	(2.6)	47.9	45.4	(3.9)	(25.2)	(29.1)
Effect of exchange rate changes on cash	0.2	0.4	(2.1)	(1.7)	(0.2)	0.4	0.2	(2.2)	(0.9)	(3.0)	(0.4)	0.4	(0.0)
Net Cash flow in the year	37.3	50.3	(62.2)	(11.9)	(14.8)	8.1	(6.7)	(45.4)	7.8	(37.6)	20.3	29.0	49.3
Cash and Cash Equivalents													
Beginning Cash balance	40.5	77.9	128.1	77.9	65.9	51.1	65.9	59.3	13.8	59.3	21.7	42.0	21.7
Ending Cash balance	77.9	128.1	65.9	65.9	51.1	59.3	59.3	13.8	21.7	21.7	42.0	71.0	71.0

Source: Company Reports, Stonegate Capital Partners

IMPORTANT DISCLOSURES AND DISCLAIMER

- (a) The research analyst and/or a member of the analyst's household do not have a financial interest in the debt or equity securities of the subject company.
- (b) The research analyst responsible for the preparation of this report has not received compensation that is based upon Stonegate's investment banking revenues.
- (c) Stonegate or any affiliate have not managed or co-managed a public offering of securities for the subject company in the last twelve months, received investment banking compensation from the subject company in the last 12 months, nor expects or receive or intends or seek compensation for investment banking services from the subject company in the next three months.
- (d) Stonegate's equity affiliate, Stonegate Capital Partners, "SCP" has a contractual agreement with the subject company to provide research services, investor relations support, and investor outreach. SCP receives a monthly retainer for these non-investment banking services.
- (e) Stonegate or its affiliates do not beneficially own 1% or more of any class of common equity securities of the subject company.
- (f) Stonegate does not make a market in the subject company.
- (g) The research analyst has not received any compensation from the subject company in the previous 12 months.
- (h) Stonegate, the research analyst, or associated person of Stonegate with the ability to influence the content of the research report knows or has reason to know of any material conflicts of interest at the time of publication or distribution of the research report.
- (i) No employee of Stonegate has a position as an officer or director of the subject company.

Ratings - Stonegate does not provide ratings for the covered companies.

Distribution of Ratings - Stonegate does not provide ratings for covered companies.

Price Chart - Stonegate does not have, nor has previously had, a rating for its covered companies.

Price Targets - Stonegate does not provide price targets for its covered companies. However, Stonegate does provide valuation analysis.

Regulation Analyst Certification:

I, Dave Storms, CFA, hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

For Additional Information Contact:

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

Please note that this report was originally prepared and issued by Stonegate for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of Stonegate should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents. The information contained herein is based on sources which we believe to be reliable but is not necessarily complete and its accuracy cannot be guaranteed. Because the objectives of individual clients may vary, this report is not to be construed as an offer or the solicitation of an offer to sell or buy the securities herein mentioned. This report is the independent work of Stonegate Capital Markets and is not to be construed as having been issued by, or in any way endorsed or guaranteed by, any issuing companies of the securities mentioned herein. The firm and/or its employees and/or its individual shareholders and/or members of their families and/or its managed funds may have positions or warrants in the securities mentioned and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the firm from time to time in the open market or otherwise. While we endeavor to update the information contained herein on a reasonable basis, there may be regulatory, compliance, or other reasons that prevent us from doing so. The opinions or information expressed are believed to be accurate as of the date of this report; no subsequent publication or distribution of this report shall mean or imply that any such opinions or information remains current at any time after the date of this report. All opinions are subject to change without notice, and we do not undertake to advise you of any such changes. Reproduction or redistribution of this report without the expressed written consent of Stonegate Capital Markets is prohibited. Additional information on any securities mentioned is available on request.